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THE BCCI AFFAIR

HEARING

BEFORE THE

SUBCOMMITTEE ON TERRORISM, NARCOTICS, AND INTERNATIONAL OPERATIONS

OF THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

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CONTENTS

JULY 30, 1992

	Page
Awan, Amjad, Former Manager, Washington Representative Office, International Bank of Credit and Commerce	695
Beyer, Gerald, Executive Vice President, Chicago Mercantile Exchange	24
Prepared statement	25
Bilgrami, Akbar, Former Manager, Latin America Region, International Bank of Credit and Commerce	664
Early, Scott, General Counsel, Chicago Board of Trade	15
Prepared statement	19
Gramm, Wendy L., Chairman, Commodity Futures Trading Commission	6
Prepared statement	9

APPENDIX

Additional material supplied for the record	781

CAPCOM, MONEY LAUNDERING, AND BCCI

THURSDAY, JULY 30, 1992

U.S. SENATE,
SUBCOMMITTEE ON TERRORISM, NARCOTICS AND
INTERNATIONAL OPERATIONS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:02 a.m., in room SH-216, Hart Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senators Kerry and Brown.

Senator KERRY. This hearing of the Subcommittee on Terrorism, Narcotics and International Operations will come to order.

Today marks the 13th public hearing on BCCI by this subcommittee, one classified hearing that we held, and one hearing that was held under the Banking Committee, for a total of 15 hearings on this subject, which I think for most people who follow the proceedings of the U.S. Congress, that is a significant number of hearings on one subject by one committee. This may well be the last public hearing on this subject by this committee unless the court process fails to produce an adequate airing of certain areas of concern or unless some startling information that has not yet been made public comes to this committee's attention. But it is currently our intention to try to issue a report within a few months. And in fact, staff is already working on that report.

I would like to just say a word, if I can very quickly, since this may well be the last public hearing on this issue, regarding the effort over the last 4 years. It has really been a long and often contentious process since we began in March of 1988 following the revelations in our hearings on General Noriega, at which time we learned that BCCI was Noriega's bank. We served our first subpoena of this subcommittee 4 years ago today, and that began a process which eventually led us to turn over to the Justice Department and the Manhattan district attorney information about BCCI and its apparent secret ownership of First American Bank.

Over the past 4 years we have uncovered a significant amount of information and found a great deal of wrongdoing ranging from BCCI's secret ownership of a network of U.S. banks to its involvement in financing Iran-Contra arms deals, one area where clearly the full story has not yet been told. We have also uncovered the making of payoffs to a number of foreign officials, and now it appears conceivable even to American individuals. Matters pertaining to BCCI are clearly going to go on in the court system for some

period of time, which is why this subcommittee thinks it ought to proceed to the writing of its report.

I would like to single out, first of all, an individual who has been singled out previously for his efforts with respect to this investigation, and that is Jack Blum who really did the initial digging following the information that we received at our initial hearing. But Jack has been well and appropriately lauded publicly for this, and I would like to say a couple of words about two other individuals who have not been as publicly lauded, but whose work has really been extraordinary, and those are the two gentlemen sitting behind me here, staffers for me personally, David McKean and Jonathan Winer. Since the day that this bank was mentioned at our hearing in 1988, they have worked nonstop, both of them, often under very difficult circumstances, without adequate resources, without an adequate support system, and clearly without adequate interest in the Congress itself, to support an investigation of this size.

And I really think that while government is often the recipient of many brickbats, many of them well-deserved, I might add, there are also some folks who work awfully hard to make the system work and the hours, the weekends, the nights that they have put in, in an effort to try to uncover the truth about this is really, I think, a tremendous statement about commitment and personal loyalty, and I salute them for that.

Many have asked me if I am gratified by the indictments issued against Clark Clifford and Robert Altman yesterday, and the answer is that one is inevitably sad when any person of significant reputation and accomplishment wind up in any perceived fall from grace. And I think that it is a moment of sadness, not a moment of elation or jubilation. On the other hand, it is important for this process to go forward and important for the American political process to understand that it works for everybody and that there are not different standards by which we operate. And so in that sense, obviously, while the justice system has to work its will and people are innocent until proven guilty in our system, there is a broad gratification for the Nation, I think that the system is at least asking questions and putting this process to the test, and that is what ought to happen in this country.

At our last hearing on May 14, 1992, we were gratified to hear from a Mr. Ahmed Al-Sayegh representing Abu Dhabi that the Government of Abu Dhabi had decided to cooperate fully with the United States law enforcement community and that there would be no impediments to Abu Dhabi making key BCCI witnesses and documents available to that community and to this committee. I regret to report that we are now at the end of July, and we have been informed by both the Justice Department and the district attorney of New York that no such cooperation has taken place. Not a document and not a witness held in Abu Dhabi have been produced to date to U.S. law enforcement officials.

The true role of members of the Abu Dhabi Government and other key figures from the Middle East remains one of the enduring mysteries about BCCI. Today, everyone knows that BCCI was a criminal empire. But we do not have the answers as to who all of BCCI's major partners in crime were. The failure to have these an-

swers is in part because BCCI's records are a mess. But it is also the direct result of obstruction that we have encountered in getting documents from foreign jurisdictions.

For example, when we sought to obtain documents in London concerning Abu Nidal's use of BCCI, we were told that they had been sealed by British intelligence, MI5, and that they would not be made available to anyone. When we sought documents concerning Iranian arms dealer Cyrus Hashemi, a key figure in the October Surprise, and other Iranian arms dealers, a British judge ruled that we could only have them if they gave us permission, despite the fact that Hashemi and several of the others are dead. When we asked the Abu Dhabi Government about the conditions in which 18 BCCI officials are being held in Abu Dhabi, their response to us was essentially it is none of your business.

When we asked Abu Dhabi to explain its alleged losses of $6 billion at BCCI's hands, we were told that the losses consisted of deposits in capital, without any explanation of how much, where, how, or by whom. Despite the stonewalling that we have encountered, which included stonewalling by certain U.S. Government agencies for months and even for years, we have been able to find answers to some of the key questions, and these will appear in our final report.

Today, we are going to have testimony which will break new ground on several key areas pertaining to the BCCI affair. Before I outline those, I want to make one additional comment on the stonewalling.

There is a regrettable process in government, including our own, where things that are either embarrassing or politically damaging are simply classified. And by classifying, they are kept from the American people, whose Government this is. We have obviously encountered that in the POW/MIA process which now hopefully is being resolved, but I think it is very sad that that is the case.

The special prosecutor with respect to Iran-Contra has come in for significant criticism for having spent a certain amount of money over a period of years to pursue his mission, and people have complained, asking publicly, people in government, why is he taking so long and why is he spending this money? The simple answer is that much of that case has been caught up in the classification process, and in fact, whole counts of indictments were thrown out solely because certain documents which had already been printed publicly in the newspapers were prohibited from being declassified and made available to the prosecutor for use in the courtroom for purposes of evidence, and therefore lacking the evidence, which was hearsay by virtue of its print in public newspapers, but lacking the actual documents which remained classified, literally whole parts of that story were wiped away.

Something is wrong when that happens in a country like ours which can applaud and encourage a Boris Yeltsin to come clean, which can talk about open government to other people, and then sits on its own secrets. And with BCCI, as Bob Morgenthau said yesterday, probably only 50 percent of this iceberg is now above water. Much of the story remains untold.

Today, as I said, we will break new ground on yet one other part of this story. Today's hearing will focus largely on the role played

by Capcom, a commodities brokerage firm based in London, Cairo, and Chicago, whose directors included several key BCCI front men as well as some prominent executives from the U.S. cable television industry. We will hear what commodities regulators found out, in investigating Capcom's activities, and we will hear about Capcom's relationship to BCCI and discussions between Capcom and BCCI officials and telecommunications officials concerning investments in the United States by BCCI, its officers, and shareholders.

Addressing these issues will be representatives from the Commodities Futures Trading Corp., CFTC, the Chicago Board of Trade, and the Chicago Mercantile Exchange. Mr. Larry Romrell, an executive at the U.S. cable firm TCI, who was on the board of directors of Capcom, has voluntarily provided this subcommittee with numerous documents pertaining to Capcom's activities in the U.S. which refer to loans from BCCI to TCI executives and possible investments by BCCI and several of its officers and shareholders in U.S. telecommunications stock.

Mr. Romrell has cooperated with the subcommittee in several important ways, but he has declined to testify regarding these matters. The documents suggest that Mr. Romrell and Mr. Magness, the chairman of TCI and also a director of Capcom, acted as nominees for Capcom. Moreover, the documents suggest that Mr. Romrell and Mr. Magness may have had nonrecourse loans similar to the type the BCCI provided other nominee shareholders.

The subcommittee has also subpoenaed Mr. Kerry Fox, the president of American Telecommunications, Inc., and a business partner of Mr. Romrell's, to testify. Mr. Fox served as the director for an investment fund that channeled money to Capcom. Mr. Z.A. Akbar served on the board of Mr. Fox's company, ATC, and Capcom has provided substantial financing to ATC. Mr. Fox is currently negotiating for immunity with the U.S. Attorney in Denver, and in response to our request to testify here has asserted his Fifth Amendment privilege in writing. Rather than go through the histrionics of bringing him here and doing it, since we are not in a position at this point to be thinking about the grant of immunity and there is no need to establish a record with respect to the fifth amendment, I decided not to proceed with that but merely to enter into the record his proffer with respect to fifth amendment privilege, and we will do so at the appropriate time.

While the subcommittee cannot provide a complete answer about the activities of Capcom and BCCI in connection with the U.S. cable and telecommunications industries, the documents which we will release today raise the question of whether BCCI officials or shareholders, specifically two former key Saudi intelligence officials, sought to establish a foothold in the U.S. cable industry in the mid-1980's.

Second, we will hear from two Federal prisoners, who are former BCCI officials, Mr. Akbar Bilgrami and Amjad Awan. Both witnesses were convicted of money laundering as a result of the Customs sting operation of BCCI in Tampa, which was concluded in October of 1988. Mr. Bilgrami will testify, among other matters, about his experience in handling the funds of Abu Dhabi's private department at the time that BCCI was secretly purchasing First American Bank through nominees. Mr. Bilgrami has told the sub-

committee that he personally reviewed documents pertaining to the Abu Dhabi shareholders of First American describing how BCCI would loan money to the Abu Dhabi shareholders of CCAH, First American's holding company, with buy-back agreements so that BCCI would be able to control the exercise of Abu Dhabi's stock.

This has never before been released publicly or stated publicly. It is obviously a significant statement with respect to the relationship of BCCI and the Government of Abu Dhabi. His account suggests that Abu Dhabi shareholders, like the other Middle Eastern shareholders in First American, were nominees for BCCI from the beginning and that like the other shareholders, they participated in deceiving U.S. regulators to assist BCCI in secretly purchasing First American.

Mr. Bilgrami's account provides one possible explanation for Abu Dhabi's refusal to date to permit anyone full access to BCCI's documents and access to 18 BCCI top officials currently held in Abu Dhabi. Mr. Bilgrami's testimony will also provide further detail on bribes paid by BCCI to officials in other countries, on BCCI's use of nominees generally, and of BCCI's relationship to Capcom.

Our final witness, Mr. Amjad Awan, has become somewhat notorious as General Manuel Noriega's personal banker. He has previously testified about Noriega's relationship in the trial in Miami. Today, he will testify about his experiences at BCCI relating to Noriega and also about his knowledge of Capcom. And finally, he will address in some detail the question of interference with this committee and the question of how certain documents were treated at the time that this committee issued its subpoenas.

There are obviously a great many issues that remain outstanding, some of which we are going to continue to investigate, and others that we are really going to only be able to raise questions about in our final report. Very quickly, among these issues: The curious case of Mohammed Hammoud. The subcommittee has made inquiries to the Central Intelligence Agency about Mr. Hammoud, and we have received a classified response. It is a response which is at odds with information provided to the subcommittee by a Senate staffer, not a staffer, I might add, on this subcommittee.

This Senate staffer reportedly maintained contact with Mr. Hammoud for over a decade, and he claims that there are at least two CIA cables discussing those meetings. That same Senate staffer is identified in a Patton, Boggs & Blow memorandum as having had his expenses paid, "to travel over and advise BCCI on how to handle the Senate investigation." The Senate staffer has resisted attempts by the subcommittee to interview him, and we will therefore issue a subpoena for his testimony.

We also continue to piece together the story behind a Holland and Knight memo referring to a source who alleged that Mr. Altman and Mr. Banoun, at that time lawyers, were going to call in political markers with respect to the Senate efforts. The subcommittee has discovered who that source is and we have some questions about his explanations.

In closing, I want to express my personal concern, again, about one of the larger underlying issues that has been brought out by BCCI, and that is a problem for the U.S. Government in protecting

United States national interests in cases in which foreign financial interests, foreign officials, or foreign intelligence agents decide to invest in U.S. businesses. There are special problems of oversight that are raised by foreign investment, and there are particularly very special problems of law enforcement and regulatory capacity raised by the new financial world in which we live.

Wire transfers, instant movement of money, the plethora of cardboard cutouts and shell corporations enhanced by certain communities on this planet that insist on secrecy and that aid and abet the movement of that kind of money all work contrary to the interests of law-abiding, civilized nations seeking to adhere to some standard of international financial behavior. And it is extremely difficult for our banking interests, for our financial interests to operate in a world where we have one set of rules, and in many of these countries, under-the-table payoffs, kickbacks, bribery, clandestine efforts, and so forth, are the rule of the day, undercutting competitive capacity.

I think this is a major issue. If you are going to talk about a level playing field in trade and a lot of other efforts, if you are going to talk about enforcing the law and living by the standards of the Basel Convention in international banking, you have got to begin to think about this flow of money internationally. Capital flight, whether to evade taxes or to evade other regulatory processes, works contrary to all of our notions of a rule of behavior, and it also disadvantages us economically.

So I think the financial community and those responsible for this kind of regulation have really got to put their creative caps on and begin to deal with the issue of how we measure whether people are living up to the international standards that have been adopted, at least in banking, if not in other aspects of financial transactions.

Now that is a longer opening than I wanted, but I did want to cover a number of different areas of concern, given the position that this investigation now finds itself in. I know Senator Brown is going to be here before long, but let us proceed now to the first panel of witnesses.

And I am delighted to welcome Dr. Wendy Gramm, the chairperson of the Commodity Futures Trading Commission, accompanied by Andrea Corcoran, who is the director of trading and markets, Commodity Futures Trading Commission; Mr. Scott Early, the general counsel of the Chicago Board of Trade, and Mr. Gerald Beyer, the executive vice president of the Chicago Mercantile Exchange.

I thank you all for your patience in sitting through my opening, and thank you for being here. What I would like to ask, if you could, is perhaps submit the full statements for the record and summarize, if possible, your openings so that we can proceed to questions as rapidly as possible. And we will begin with you, Dr. Gramm.

STATEMENT OF WENDY L. GRAMM, CHAIRMAN, COMMODITY FUTURES TRADING COMMISSION; ACCOMPANIED BY ANDREA CORCORAN, DIRECTOR OF TRADING AND MARKETS, COMMODITY FUTURES TRADING COMMISSION

Dr. GRAMM. Thank you very much, Mr. Chairman. I am pleased to be here today to describe for the subcommittee the Commodity Futures Trading Commission's oversight activities involving Capcom Futures, Inc. Accompanying me is Andrea Corcoran, director of our division of trading and markets.

By way of background, let me briefly describe the structure of Capcom and the entities as we see them. Now let me clarify that there were two Capcom entities. Capcom Financial Services, Limited I will refer to as Capcom U.K. It is a company that was incorporated in the U.K. in 1984, and that was the one that was indicted in October of 1988. Capcom Futures, Incorporated, a Commission registrant, I will refer to as Capcom U.S. That was incorporated in the United States in Illinois in 1985.

Capcom U.K. and Capcom U.S. were intertwined. Both companies had common directors and shareholders. Capcom U.K. owned 82 percent of Capcom U.S. from May 1985 until June 30, 1987. During the course of our inquiry, we found certain principals of Capcom U.S., specifically S.Z.A. Akbar, Sushma Puri, and Mohammad Saghir, had previously worked at BCCI. In addition, one account executive, Pankaj Patel, was also a former employee of BCCI.

Based on our information, there was no evidence of any financing of Capcom U.S., either directly or indirectly, by BCCI. In addition to this, some Capcom customers also may have had connections with BCCI.

As you recall, after the announcement in October of 1988 of the indictments of Capcom U.K. for money laundering and drug trafficking, the futures market activities of the affiliated firm, Capcom U.S., became of great concern to us. Capcom U.S., the registrant and futures commission merchant, or brokerage house, was at that time handling futures trading business for the indicted U.K. affiliate.

Commission staff immediately commenced an inquiry to determine if there was any potential wrongdoing by Capcom U.S. and coordinated our efforts with those of the U.S. futures self-regulatory organizations and the U.K., as well as U.S. enforcement and regulatory authorities. This inquiry contributed to the removal of Capcom U.S. from the U.S. futures market. In addition, all of the information developed by the commission through these activities was made available to the prosecutors in charge of the criminal case pending in Tampa.

As a result of these efforts, and especially our efforts and the actions of our regulatees, mainly the Chicago exchanges and the National Futures Association, by the time of the BCCI collapse last summer Capcom U.S. had been out of the U.S. futures markets for a year, and the criminal authorities had been granted access to all of our files.

Commission staff began a full-scale audit of Capcom U.S. with the objective of looking for potential evidence of suspicious trading activities that could warrant further action under the Commodity

Exchange Act. We commenced that investigation immediately upon hearing of the indictment of Capcom U.K.

We were also interested in examining the Capcom U.S. records to identify potential evidence that might suggest money laundering. Although money laundering is not a violation of the Commodity Exchange Act, the commission staff wanted to be sure all relevant information was available to the authorities who could best use it.

In addition, some of our work was begun at the specific request of U.K. regulatory authorities who asked us to investigate certain transactions. As our testimony describes, the Commission staff's audit did examine, among other things, financial transactions and certain accounts related to S.Z.A. Akbar, a principal of Capcom U.K. who was indicted along with Capcom U.K.—the firm.

We shared audit results and information we received from other authorities with relevant futures SRO's, and by that we mean the exchanges and the National Futures Association. During the course of our inquiry we encouraged the SRO's to take action against the Capcom entities under their own rules. SRO's have an affirmative obligation under the Commodity Exchange Act to monitor their markets for violations of the Commodity Exchange Act. In addition, as membership organizations they have far greater flexibility to act to discipline their member firms.

With the benefit of the information we developed, as well as information from their own investigations, each of Capcom's SRO's identified violations of their rules and took remedial action. The Chicago Mercantile Exchange, CME, immediately restricted the trading activities of Akbar and subsequently made specific findings in October of 1989 that Capcom U.S. had violated the CME rules, including accepting new trades in an undermargined account and improperly transferring positions between accounts. Capcom U.S. paid a fine of $500,000 and agreed to withdraw as a CME clearing member.

Early in 1989 the Chicago Board of Trade, the only U.S. exchange for which Capcom U.K. was a member, suspended Capcom U.K. indefinitely and Capcom U.K. was subsequently expelled on August 24, 1989. Also on June 30, 1989, they allowed Capcom U.S. to withdraw from CBT membership. In accepting the Capcom U.K. settlement, the Board of Trade determined that it had reason to believe that Capcom U.K. had entered into reckless and unbusinesslike dealings, was unable to demonstrate capital compliance, and engaged in fraud and dishonorable conduct in its dealings with the exchanges, among other things.

In October of 1990 the NFA, the National Futures Association, found Capcom U.S. to have violated NFA rules by making misrepresentations to a customer and making unauthorized trades, failing to collect proper margin from a customer, and failing to supervise employees and agents. As a consequence, NFA ordered Capcom U.S. to relinquish its FCM registration and NFA membership and never to reapply, and to dissolve its corporate status at the earliest date possible.

Capcom complied. Since NFA membership is necessary for a futures commission merchant, an FCM, to engage in customer business, this action precluded Capcom from continuing its business or from reentering it in the future.

As you know, we have assisted this subcommittee, the full Senate Committee on Foreign Relations, as well as the House Committee on Banking Finance and Urban Affairs and their investigations of the operations of the Capcom entities. In addition, we have also shared information with the criminal investigation section of the Internal Revenue Service, the Federal Bureau of Investigation, the GAO Office of Special Investigations, and U.S. Customs, as well as the Securities and Investments Board and the Serious Fraud Office in the U.K. We continue to cooperate with all of these authorities, as well as with the U.S. Attorneys Office in Tampa.

That concludes my summary review of the Commission's activities regarding the Capcom entities. Our written testimony addresses each of the matters that you raised in your letter of July 3, and I am pleased to respond to any questions you may have.

[The prepared statement of Dr. Gramm follows:]

PREPARED STATEMENT WENDY L. GRAMM

Thank you, Mr. Chairman. We are pleased to be here today to review the Commissions oversight activities with respect to Capcom Futures Inc. (Capcom U.S.), in connection with your review of the Bank of Credit and Commerce International (BCCI) collapse. In this testimony, we will recount the actions taken by the Commission and the futures industry self-regulatory organizations (SROs], that is, the exchanges and National Futures Association (NFA), which led to the removal of Capcom U.S. and Capcom U.K. from the U.S. futures markets.

As you know, a 16-count federal grand jury indictment was filed on October 10, 1988, charging Capcom Financial Services, Ltd. (Capcom U.K.), S.Z.A. Akbar (who was a principal of both Capcom U.K. and Capcom U.S.), BCCI and eleven other individuals or entities with several offenses, including laundering the proceeds of illegal drug transactions. That same day, similar charges were filed against Capcom U.K. and S.Z.A. Akbar by authorities in the United Kingdom.

After the announcement of the indictments of Capcom U.K., the futures market activities of Capcom U.S., an affiliated firm, became of significant concern to us. Capcom U.S. was registered with the Commission as a futures commission merchant, or brokerage house, and was handling futures trading business for the indicted U.K. affiliate. Commission staff immediately commenced an extensive inquiry to determine if there was any potential wrongdoing by Capcom U.S. and coordinated its efforts with those of the U.S. futures self-regulatory organizations and U.K. enforcement, regulatory and self-regulatory authorities. The Commission inquiry contributed to the removal of Capcom U.S. from the U.S. futures markets. In addition, beginning in the fall of 1988, Commission staff began cooperating with the U.S. Attorney's Office in charge of the criminal case pending in Tampa including a grant of access to Commission files. As a result of these efforts, by the time of BCCI's collapse last summer, Capcom U.S. had been out of the futures market for a year, and the criminal authorities had been granted access to our files.

Capcom U.S., a CFTC registrant, was a member of two U.S. exchanges between 1985 and 1989. Capcom U.K. was a member of one U.S. exchange but was never registered with the CFTC, and to our knowledge, never carried U.S. customer positions. We wish to emphasize that Capcom U.S. was not indicted at the time of the initial indictment of Capcom U.K. nor was it indicted at the time that subsequent charges against Capcom U.K. were lodged in 1991.

Most of the information shared in our review of the Capcom entities was and is confidential information explicitly protected from public disclosure under the Commodity Exchange Act (Act) and foreign law or under international information sharing agreements. In particular, all U.K. source information was provided under a Memorandum of Understanding dated September 23, 1986 among the CFTC, the SEC and the U.K. Department of Trade and Industry (U.S.-U.K. MOU) which restricts the use of information provided thereunder. Such information is separately protected from public disclosure under the U.K. Financial Services Act 1986. The ability to keep such information confidential is essential to our continuing ability to receive enforcement information from foreign authorities.

This testimony is provided pursuant to a request from Congress pertaining to a Congressional investigation. Most of the information contained herein has been pre-

viously provided to this subcommittee. We have also discussed this testimony with U.K. authorities.

You have asked us a number of specific questions about the purpose and results of our inquiry into the propriety of Capcom U.S. and Capcom U.K.'s activities in the regulated futures markets. Our answers follow.

STRUCTURE OF CAPCOM ENTITIES

The structures of Capcom U.K. and Capcom U.S. were intertwined, in that the two companies had common directors and shareholders. Capcom U.K. owned 82 percent of Capcom U.S. from the latter's inception in May 1985 until June 30, 1987. At that time, Capcom U.K. sold 95 percent of its interest (a 78 percent shareholding) in Capcom U.S. to certain individuals. The company represented that this action was taken to avoid application of a Chicago Board of Trade Clearing Corporation rule which would have required personal guarantees of Capcom U.S.'s trading activity by Capcom U.K.'s shareholders who did not wish to provide such guarantees. However, the purchases of the new shareholders' interests in Capcom U.S. were not paid for until at least January 1989 and may have been financed by Capcom U.K. Further, Commission documents also indicate that Capcom U.K. provided other direct financing to the firm, thereby effectively retaining a comparable interest to its former interest in the firm.

Following the sale, S.Z.A. Akbar became the owner of 37 percent of Capcom U.S. (which included his beneficial ownership in Zask Investments and Trading Ltd.). In 1988, S.Z.A. Akbar, Robert Powell, Larry Romrell, Robert Magness and Ajay Puri, the five new shareholders of Capcom U.S., were also shareholders in Capcom U.K. Mohammad Saghir, an original shareholder of Capcom U.S. who remained so after the 1987 transactions, was also a Capcom U.K. shareholder.

OPERATIONS OF CAPCOM ENTITIES

Capcom U.S. apparently was established to handle Capcom U.K.'s futures business on U.S. exchanges. Capcorn U.S. was registered as a futures commission merchant in March 1986 and operated as a futures commission merchant (that is, a company licensed to carry customer positions) until September 6, 1990, when it transferred all 58 of its accounts with credit balances to other futures commission merchants—Brody White and Company, Inc., Refco Inc., Swiss Financial Services, Inc., and First Commercial Financial Group, Inc.—in response to an action by the NFA. Capcom U.S. was also a member of the Chicago Board of Trade (CBT), the Chicago Mercantile Exchange (CME), and the NFA.

During the 5-year period in which the firm traded in the U.S. markets, Capcom U.S. carried as many as 200 accounts. In October 1988 it carried 110 accounts of which a few were controlled by S.Z.A. Akbar. Approximately twenty of the Capcom U.S. accounts were in the name of apparent Middle Eastern owners; only two of these had Saudi addresses and most had U.S. addresses. Capcom U.S.'s reported customer equities were on average $22.84 million, reaching a maximum of $72 million as of March 31, 1989. Capcom U.S.'s trading volume for 1989 was approximately 600,000 contracts.

Capcom U.K.'s annual report for the year ending October 1987 states its purpose as that of providing international financial services in futures and options, money market instruments, debt, and foreign exchange. Capcom U.K. also engaged in "spot" gold transactions. A 1988 audit report indicated that approximately 70 percent of Capcom U.K.'s trading was in the spot foreign exchange (forex) and bullion markets. Capcom U.K. was a member of the Chicago Board of Trade.

In addition to Capcom U.S. and Capcom Equities, Inc., a U.S. securities broker-dealer which never conducted any business, Capcom U.K. also had five wholly-owned subsidiary companies, none of which was domiciled in the U.S.

At no time, based on our large trader reports, did Capcom U.S. (or Capcom U.K.) carry positions that were especially large relative to the market or that could potentially cause concern from a market integrity perspective.

SAUDI SHAREHOLDERS

To our knowledge, at no time between 1985 and 1990 did Capcom U.S. have any Saudi shareholders, nor do we have any information that Sheikh Khalil or Sheikh Adham played any role in the affairs of Capcom U.S. or were direct customers of that entity. Information from the U.K., however, indicates that Capcom U.K. had the following stockholders: Sheikh Abdul Raouf Hasan Khalil; Sheikh Kil Adham; E.E. el Jawharye; and Sheikh Hattan Rashad Pharaon. At the time of the indictment in October 1988, these shareholders owned in the aggregate 20 percent of

Capcom U.K.'s stock. In February of 1988, several months prior to the indictment of Capcom U.K., Sheikh Khalil purportedly sold his entire 33 percent shareholding to S.Z.A. Akbar for 4 million pounds. According to U.K. authorities, the share register for Capcom was not changed to reflect the sale. At the time Sheikh Khalil allegedly owed the General Securities Corporation, (GESS) Account at Capcom U.K. 4.25 million pounds which was apparently forgiven. Sheikh Adham owned 12 percent of Capcom U.K.'s stock from February 1988 to February 1989. Sheikh Adham had an interest with approximately 14 other Middle Eastern customers, some also with the name Adham, in accounts titled Fund and Fund 2 at Capcom U.K. transactions in the Fund accounts were entered on the books of the U.K. firm which had omnibus accounts with nine U.S.-based clearing firms including Capcom U.S.

ROBERT MAGNESS AND LARRY ROMRELL

To our knowledge, Robert Magness, Larry Romrell and Robert E. Powell were the only U.S. investors with interests in both Capcom U.K. and Capcom U.S. Robert Magness was a 4 percent shareholder in the U.S. firm, and a shareholder and director of the U.K. firm; Magness resigned his directorship in the U.K. firm in October 1988 at the time of the announcement of its indictment. In April 1989, Magness apparently still owed money to Capcom U.K. for his purchase of Capcom U.S. stock in 1987.

Larry Romrell was a shareholder and chairman of both firms. He became chairman of Capcom U.K. beginning on June 6, 1984 and chairman of Capcom U.S. beginning on June 11, 1985. He resigned both positions on October 21, 1988, and withdrew as a principal in July 1990. Mr. Romrell purchased a 16 percent interest in Capcom U.S. in 1987 for $400,000. As of April 1989, he apparently had not yet repaid Capcom U.K. for financing this purchase. Examination of the books and records of Capcom U.S. indicates that none of the U.S. shareholders played a significant managerial or operational role in the affairs of this company which was managed from inception in June 1985 until discontinuance of operations by Mohammad Saghir, its president. Based on our registration records it appears that Romrell was the chairman of the U.K. company between June 6, 1984 and October 21, 1988. In February of 1988, S.Z.A. Akbar instructed that a cash disbursement of $100,000 be made from the IXORA account described below to Mr. Romrell's bank in Denver.

KERRY FOX

Similarly, although our records evidence no connection between Capcom U.S. And Kerry Fox, S.Z.A. Akbar mailed a check for $6,000 from the IXORA account to Mr. Fox on December 18, 1987.

THE TWOY 1 AND 2 ACCOUNTS

In 1989, the Commission staff reviewed, at the request of U.K. authorities, transactions in S&P 500 contracts on the CME which resulted in approximately $31 million in losses not including interest in two U.K. accounts (TWOY 1 and 2) allegedly belonging to S.Z.A. Akbar's brother. The losses were carried for almost a year on the books of Capcom U.K. The TWOY accounts were traded in the U.S. through Capcom U.K.'s omnibus account and were properly margined at the Chicago Mercantile Exchange. The losses were apparently repaid in part through accounts of a third party held at various BCCI entities. The staff reviewed the trades to determine whether the transactions were fictitious or actually had been executed and cleared at the CME. As all account detail was in the U.K. pursuant to the U.S.-U.K. MOU; the U.K. provided necessary account documentation to permit the Commission to complete this analysis.

Based on a review of account statements and exchange trade register and clearing data, the staff found that the trades had been placed on the exchange and cleared and that the trades had counterparties at numerous other firms. We provided the results of our analysis to the U.K. authorities.

THE IXORA ACCOUNT

IXORA Investments Ltd. commenced trading on December 23, 1986, last traded on May 26, 1987 just prior to S.Z.A. Akbar's resignation as a director of Capcom U.S. and was finally closed on April 28, 1989. The account documents indicated that S.Z.A. Akbar had a power of attorney to direct trading in this account. In 1987 certain positions were transferred to the IXORA account from other customer accounts thereby possibly improperly changing beneficial ownership off the exchange floor. Between November 1987 and October 1988 there were 12 cash receipts and 25 disbursements equalling approximately $9 million each in aggregate receipts or dis-

bursements but no trading activity of any kind. That is, cash was paid into and out of the account but no positions were taken in the market.

At least one transaction in the account was a wire transfer of approximately $25,000 to an escrow account of Florida National Bank for Financial Consulting Inc. Transfers in this account were generally effected by Mohammad Saghir, president of Capcorn U.S., on instructions from Akbar. Mr. Saghir exercised his fifth amendment rights with respect to all questions concerning this account when his investigative testimony was taken by the CFTC.

Another account at Capcorn U.S. was owned by Mohammed Zaheer, the brother of Mohamrnad Saghir. S.Z.A. Akbar apparently had discretionary authority over the account from the time it was opened on December 31, 1986 until April 21, 1988. We found that, on October 29 and 30, 1987, it was credited for five separate cash receipts totalling $4,848,541.89 and debited for two separate cash disbursements totalling $4,800,000. These receipts and disbursements appear to be out of character with the usual activity shown in the account which, during the period from December 31, 1986 through May 31, 1989, generally had a ledger balance of less than $150,000.

IXORA was also involved in a complicated $2 million transaction involving Finley International, Ltd. and Capcom U.K.

ZASK, GOOD & FUND ACCOUNTS

Although Zask Investments and Trading Ltd. was a 9 percent shareholder of Capcom U.S. from its inception in May 1985 until April 28, 1989, according to information developed in our inquiry no trading accounts for Zask, Good or Fund were held at Capcom U.S. We have no information as to the purpose of these accounts at Capcom U.K. All information we do have with respect to these accounts was received from U.K. authorities. In 1988 Capcom U.S., in four transactions, wired certain money to the Good account at Capcom U.K. The Fund account was not identified in connection with transactions at Capcom U.S. However, there were some letters relative to a "Trading Fund" found by audit staff in two of Capcom U.S.'s accounts as well as two receipts credited to proprietary accounts of Capcom U.S. We do not know if these transactions are related to the U.K. Fund account.

PRIOR REGULATORY CONCERNS WITH CAPCOM

In 1986, 2 years before the initial indictment of Capcom U.K., Commission surveillance staff became aware that Capcom U.K. might be operating as a foreign broker rather than trading only for its own account. In such event, the firm would be required to identify any customers to the Commission that held reportable positions and to disclose large trader positions. The firm contended that it was not a foreign broker, and that under U.K. law, its futures positions on U.S. exchanges were held in the firm's name as principal to hedge its dealing contracts with customers. This same issue had arisen with several other U.K. firms trading in the U.S. markets. After consulting with U.K. regulators, the Commission's Division of Economic Analysis in June 1987 directed the firm to identify its reportable customers. At this point, U.K. regulators gave no indication that they had any concerns about the integrity of Capcom U.K. Misconduct, if any, occurring in London would not be observable in U.S. markets. Related to this reporting dispute, on July 27, 1987, CBT accepted an offer of settlement submitted by Capcom U.S. and Capcom U.K. Without admitting or denying the violations alleged, the firms accepted a finding that Capcom U.K., in acting as principal instead of agent, and Capcom U.S., in accepting business for Capcom U.K. as principal instead of agent, may have violated certain CBT rules and regulations. Also, Capcom U.S. agreed to remit to CBT $124,000 in overdue exchange service fees effective September 1, 1987. In April 1988, the U.K. Financial Services Act 1986 went into effect, and imposed duties on firms with respect to their customers even though such firms may technically be acting as principals under U.K. law.

RELATIONSHIP TO BCCI

Information developed during the course of our inquiry indicated that certain principals of Capcom U.S. (S.Z.A. Akbar, Sushma Puri, and Mohammad Saghir) had previously worked at BCCI. In addition, one account executive, Pankaj Patel, was also a former employee of BCCI. The U.S. information we reviewed did not evidence any financing of the U.S. firm directly or indirectly by BCCI.

Information developed in our inquiry with respect to the IXORA account at Capcom U.S., however, indicated that certain disbursements were made to persons apparently unrelated to the purported account owners, including Akbar Bilgrami

who may be the same Akbar Bilgrami identified as the director of the Latin American Division of BCCI Overseas Ltd. by the October 1988 indictment. The wire transfer address was identical to that of BCCI in Florida.

Any information we received that could have suggested a possible relationship between Capcom U.S. and BCCI (except for that in the indictments, on the registration records and relative to the IXORA account) was provided by U.K. authorities and has already been provided to this subcommittee on a confidential basis. In addition to certain matters discussed above, some Capcom customers also may have had connections with BCCI.

CFTC OVERSIGHT ACTIONS

Immediately following the indictment of Capcom U.K., the Commission's staff reviewed the relationship between Capcom U.K. and Capcom U.S. Based upon that review and a number of factors, including the close affiliation between the two firms, staff decided that an audit of Capcom U.S. was warranted. This type of compliance review is routinely conducted when information that could suggest potential violations of the Act comes to the attention of Commission staff. Consequently, within days of the indictment, the Commission's staff consulted with relevant U.K. authorities and commenced an audit of cash transfers and other financial transactions carried out by Capcom U.S. for the period from November 1985 through June 1989 to attempt to identify suspicious trading activities by Capcom U.K. and S.Z.A. Akbar that could warrant further action. Although money laundering *per se* is not a violation of the Act, the filing of false reports, as well as various trading activities which might be associated with money laundering, such as wash trades, accommodation trades, and fictitious transactions, would constitute violations of the Act.

CFTC COOPERATION WITH CRIMINAL AUTHORITIES

In late 1988, Commission staff began communicating with the U.S. Attorney's Office of Tampa, which had brought the charges before the grand jury concerning Capcom U.K. and others in October of 1988. Access to the Commission's files concerning Capcom U.S. was granted and information obtained by the Commission during the course of its review of the trading of Capcom U.S. was provided to the U.S. Attorney in Tampa. Since the 1988 indictment, the Commission consistently has indicated its willingness to review any conduct or trading based on information in the hands of the criminal authorities in support of their enforcement activities.

We also received information from other authorities. Commission staff shared the confidential information we developed and some which we had received from other authorities with relevant futures SROs during the course of our inquiry and encouraged the SROs to consider appropriate action against the Capcom entities under their rules. Our approach to the SROs was based on their affirmative obligation to monitor their markets for violations of the Commodity Exchange Act. In addition, as membership organizations, the exchanges generally have a great deal of latitude to act to discipline their member firms.

U.S. SELF-REGULATORY ACTIONS AGAINST CAPCOM U.S.

With the benefit of information provided by the CFTC as well as information from their own investigations, the futures SROs identified violations of their rules and each took remedial action under its rules against Capcom U.S. The Chicago Mercantile Exchange (CME), following an offer of settlement in which Capcom U.S. neither admitted nor denied violating CME rules, made specific findings on October 10, 1989 that Capcom U.S. had violated CME rules by permitting the misuse of the firm's facilities, engaging in uncommercial conduct, accepting new trades in an undermargined account, and improperly transferring positions between accounts. These findings were based on the failure of Capcom U.S. to provide information concerning certain cash transactions appearing in accounts carried by Capcom U.S. for IXORA Investments, Ltd. (which was owned by S.Z.A. Akbar) and Mohammed Zaheer (brother of Mohammed Saghir, president of Capcom U.S.). Capcom U.S. Agreed to pay a fine of $500,000 and to withdraw as a CME clearing member effective October 18, 1989. The Chicago Board of Trade (CBT), pursuant to a settlement agreement, had allowed Capcom U.S. to withdraw from CBT membership on June 30, 1989.

On October 2, 1990, the National Futures Association (NFA) issued a complaint against Capcom U.S. and one of its associated persons alleging violations of NFA rules consisting of misrepresentations to and unauthorized trades for a customer, failure to collect proper margin from a customer and failure to supervise employees and agents. On October 19, 1990, NFA accepted an offer of settlement from Capcom U.S. and found Capcom U.S. to have violated NFA rules as alleged. NFA ordered

Capcom U.S. to request withdrawal of its FCM registration and NFA membership and never to reapply, and to dissolve its corporate status at the earliest practicable date. At least one principal of Capcom U.S. also agreed to withdraw from the futures business. As NFA membership is necessary for an FCM to engage in public futures customer business, this action effectively precluded Capcom U.S. from continuing customer business or from reentering such business in the future.

U.S. AND U.K. SELF-REGULATORY ACTIONS AGAINST CAPCOM U.K.

Actions were also being taken by self-regulatory organizations under their own rules against Capcom U.K. during this period, both in the U.S. and the U.K. In a series of orders issued between March 30, 1989 and August 24, 1989, by the CBT, Capcom U.K. was suspended, precluded from carrying customers orders and, ultimately, agreed to be permanently expelled. This action was based on the exchange's reasonable belief that Capcom U.K. engaged in acts detrimental to the interests and welfare of the exchange, reckless and unbusinesslike dealing and fraud and dishonest conduct in its dealings with the exchange and failed to demonstrate compliance with capital requirements. In June 1989, the U.K. Association of International Bond Dealers suspended Capcom U.K. from membership, and a committee appointed by the U.K. Association of Futures Brokers and Dealers (AFBD) found Capcom U.K., its controller and its directors to be not "fit and proper" persons. On July 17, 1989, the AFBD expelled Capcom U.K. from membership and ordered it to pay the equivalent of $660,000 in "costs," citing specifically the inability of the firm to establish the identity of its beneficial owners. On July 25, 1989, Capcom U.K. resigned from membership in the U.K. Securities Association. As noted above, the Commission had previously assisted U.K. Authorities in connection with these cases by responding to inquiries concerning certain selected transactions effected at the U.S. firm. Capcom U.K. retains its corporate existence.

STATUS

Although Capcom U.S. has effectively been permanently barred from activity as a U.S. FCM, we are seeking to develop further information with respect to its affiliates and principals through our cooperation with the criminal authorities. In that connection, we await the extradition to the United States from France of Akbar, who should have substantial information about the operations of Capcom.

We note that we have assisted this subcommittee, the full Senate Committee on Foreign Relations and the House Committee on Banking Finance and Urban Affairs in their review of the operations of the Capcom entities. We note further that, in addition to the information shared with relevant futures SROs referred to earlier, we shared information with the criminal investigation division of the Internal Revenue Service, Federal Bureau of Investigation, GAO Office of Special Investigations, the United States Attorney's Office in Tampa, and U.S. Customs, as well as the Securities and Investments Board, Ltd. and the Serious Fraud Office in the U.K.

CFTC RESOURCES

Since October 1988, the Commission has spent 7,184 hours (approximately 3½ staff years) on the Capcom matter.

RELATED INITIATIVES

In closing, I would note that Capcom is but one example reflecting the increasingly international character of the futures markets and of firms operating in the futures markets. As you know, effective regulation no longer can stop at the "water's edge" or focus simply upon the U.S. outpost of an interlinked multinational structure. Recognizing this, during the last 2 years, the Commission has entered into seven enforcement and financial oversight memoranda of understanding with foreign regulatory authorities. In addition, over the last year, we have established procedures with 15 foreign regulatory authorities, as well as Interpol, to facilitate enhanced fitness checks of foreign nationals listed as principals of firms seeking registration under the Act. The Commission also recently adopted amendments to its registration rules which will facilitate greater scrutiny and a background investigation of the beneficial owners of applicants for registration. In addition, the Commission has requested authority to enhance its international cooperative enforcement authority and to undertake risk assessment of affiliates of registrants in our pending reauthorization legislation. The Commission also participates in the Justice Department Action Task Force Money Laundering Working Group. That concludes my overview of the Commission's activities regarding the Capcom entities. I would be pleased to respond to any questions you may have.

Senator KERRY. Thank you very much, Chairperson Gramm. I appreciate that and your full testimony will be placed in the record as if read in full. Mr. Early, do you want to make a statement now?

STATEMENT OF SCOTT EARLY, GENERAL COUNSEL, CHICAGO BOARD OF TRADE

Mr. EARLY. Yes, thank you Mr. Chairman. First of all, I would like to thank you for the opportunity to appear here today. And on behalf of Chairman O'Connor of the Board of Trade and President Donovan, express their apologies that they could not be here today. They had other matters which had previously been scheduled that were of great importance to the exchange. But I feel that by being here, having been involved in the disciplinary actions which are of interest to this committee, that hopefully we can inform the committee as much as they need to, and certainly that is our intention to do so here today.

In order to understand what happened with Capcom at the Chicago Board of Trade, I think it is important to have a little bit of a background. So if you will indulge me briefly I will try to explain what the process was by which Capcom became a member and then why they were ultimately disciplined and expelled.

In so doing, I would like to also answer any specific questions that the committee may have, as detailed in their letter, and would be glad to do so. But I should note at the outset that there is a bit of an irony in that process. And that is, as you will see from the discussion of the disciplinary actions, the very basis of the disciplinary actions which resulted in the suspension and then expulsion of the firms prevents us from giving the kind of detail that this committee would like to have and we would like to give.

Because the basis of those was that Capcom could not demonstrate to us, as an exchange, that they were keeping their books and records in the kind of prudent business-like manner which our rules and regulations require. And because they failed to make that showing to our committees and to our board of directors, they were expelled.

We do have a great deal of information, some of which I know the committee already has, and we will be glad to share that. And hopefully as we go through this process of seeing what the disciplinary action was, you will understand what I mean by that.

The Board of Trade, as referenced in Chairman Gramm's testimony already, is a self-regulatory organization which means that we do have the authority to write and enforce our own rules under the authority of the Commodities Futures Trading Commission, as well as under Federal law. Part of that process is a membership admission process which requires that all members be of good character, reputation, and financial responsibility.

Now in order to ensure that financial responsibility and good character, we investigate members before they are admitted and we continually monitor members while they are members of the exchange. We monitor not only their trading practices, but through the office of investigations and audits and through member committees, we monitor their financial condition, often on a daily basis when they demonstrate to us that they are having difficultly. And

as you will see as we talk about the disciplinary structure here, after they have had disciplinary problems with the exchange we generally increase that monitoring activity, and that is precisely what we did here.

A word, if I can, about clearing, because part of the disciplinary process here centered about Capcom U.S.A.'s status as a clearing member at the Board of Trade and then subsequently their lack of status as a clearing member. Clearing is a function in the futures industry that is unique. It is not just an accounting function for who traded what with whom and when; it is also a guarantee function of the performance of the contracts which are being traded. Because that financial guarantee is present on the part of the clearing corporation, in order to be a clearing member you must demonstrate superior financial responsibility and organization and you must maintain that status in order to maintain your clearing status.

Now that has economic advantages as a member, so if one becomes a clearing member of the Board of Trade, and at the Board of Trade that is done through a separate legal entity called the Board of Trade Clearing Corp., one has some economic advantage in the community. Trading is cheaper, but you also have greater responsibility.

And what you will see here is that Capcom became a clearing member and Capcom failed to demonstrate the continuous kind of financial responsibility which is required by Clearing Corp. standards. And so the immediate action that was taken was that Capcom's clearing status was removed.

But while that financial guarantee is in place, what happens is that everybody involved in the exchange shares in the financial responsibility and accountability of any one clearing member. And that is why the concern among the exchange as an SRO for the financial integrity of its clearing members is of paramount importance to it.

I mentioned earlier the auditing which the Board of Trade does. It is done under the supervision of member committees: generally, people who have a great deal of experience with running member firms. The auditing itself is done by staff, the office of investigations and audits. It is done on both a periodic and a special basis. In this case Capcom was subject first to a regular periodic review, and then, as you will see, to special reviews.

Finally, a background word on some of the contracts that we trade. Capcom's original stated purpose for being a member at the Board of Trade was to trade in financial contracts for its proprietary account and for those of its customers. And many of those customer's accounts were given the status of hedge accounts; meaning that they were professionals in some way hedging interest rate risk, either as a bank or in many other capacities, chiefly using Treasury bonds at the Board of Trade, the Treasury bond futures contract. It was part of the examination for the hedge status of those trading activities which also led to the investigations which led to Capcom's expulsion eventually.

Capcom London first became a member firm of the Board of Trade in October of 1985. In May of the following year, its U.S. subsidiary, which I will refer to as Capcom Chicago, became a member

of the Board of Trade. And very shortly thereafter, Capcom Chicago became a member of the Clearing Corp. As I stated, their business purpose in becoming a member of the Board of Trade was to clear customer and proprietary business, and particularly in the interest rate futures contracts which we trade at the Board of Trade.

In January of 1987 our office of investigations began a review of Capcom Chicago and Capcom London, the purpose of which was to determine the nature of their business and review the firms' trades to verify their classification as hedge positions. As a result of the OIA review, there were numerous serious violations of exchange requirement which were found.

As a consequence, the business conduct committee, which is the committee at the exchange in the first instance responsible for review and oversight of financial matters, charged that Capcom violated a number of exchange rules and regulations. I would like to focus briefly on one of those, because I think it bears on this committee's investigations.

And that is that one of the violations was that Capcom London was acting as a principal rather than an agent in transactions entered into on behalf of its customers. Now in essence what that means, if I can put it in the simplest terms, is that Capcom London was selling to its customers out of its inventory of positions of contracts traded at the board of trade.

That is a practice which is common in many markets. It is common in over-the-counter markets; it is common in many foreign markets. It is illegal in the United States futures markets and it is an express violation of Board of Trade rules. What we require is that what the customer gets is the trade that was transacted in the public auction market on the floor of the exchange and nothing else.

And so that was the focal point—trading practices, if you would—in this first investigation. I point that out because I know this committee has heard prior testimony concerning some trading practices of the firm which were alleged to have been done in order to facilitate money laundering. I would stress that we had no direct evidence of money laundering on behalf of Capcom, but if you are looking for a trading practice which may have facilitated that, I do not believe that wash sales, which are what the prior testimony concerned, would be a focal point for that, because I do not believe that that would necessarily achieve it.

But a trading practice such as this; that is, having one of the entities engage in futures transactions, put them in the proprietary account of an affiliated firm, and then redistribute those to customers at perhaps differently agreed upon prices, may be a means to further cloud what you have already encountered as the disarray of records, which is typical of Capcom and BCCI.

The business conduct committee entered into a settlement with Capcom regarding that investigation, which required them to cease and desist from those specific rule violations. They also paid $124,000. And immediately thereafter, it required them to submit a specific statement of the actions which they were taking, in order to assure the committee that they were in full compliance with all rules and regulations of the exchange, and what procedures they had established to prevent further violations.

Those responses were received from the firm in the fall of 1987, and the committee accepted those responses but instructed OIA to commence a followup review of Capcom, which they did in February of 1988. That followup review, to the best of our knowledge, showed us that Capcom was, at that point in time, in compliance with our rules and regulations with respect to its trading practices and its financial activities.

However, in October of 1988 we, as the commission has already testified, learned of an indictment in Tampa, Florida regarding Capcom London and BCCI. As a result of that knowledge and the immediate contact which we had with U.S. enforcement authorities and authorities in London, we intensified our reviews of Capcom—both firms, Capcom London and Capcom United States.

We shared all that information with the Board of Trade Clearing Corp., and as a result of that in October of 1988 Capcom's clearing privileges at the Chicago Board of Trade were terminated and all their positions were cleared by another exchange member clearing firm. And this withdrawal from clearing status was finalized in June of 1989 when their clearing stock was redeemed.

I think it is important to note that because, as I said earlier, clearing status is a very important status in the futures industry. And to revoke clearing status is a serious sanction and one which was, I think, regarded as such both by the exchange and by the industry.

We continued with investigations through the month of October in 1988, coordinating closely with the CFTC, the Association of Futures Brokers and Dealers in London, the International Commodities Clearing House in London, and various governmental authorities. I have to stress to the subcommittee that based on those communications, and perhaps it is not surprising, we had no direct knowledge of any money laundering or any other illegal activity, except those specifically cited in the disciplinary charges which we made against the firms.

But what was apparent by this time was that Capcom's books and records were not being kept in a manner that was consistent with our rules, and they were fundamentally unreliable so that even the information which we were receiving from Capcom was greeted—I think with skepticism is the only way I can characterize it—by our committee and by our board of directors.

The investigations continued and resulted in charges which we have specified in the written submission before this committee and I will not go into at length now. The final result was that the business conduct committee recommended to the board of directors that Capcom London be expelled, which they were. Capcom Chicago continued under close scrutiny and finally withdrew from membership by settlement from the firm with the agreement that they would never reapply.

The basis of those final charges was that Capcom failed to maintain accurate books and records, was unable to demonstrate to the exchange's satisfaction that it was able to meet or to exceed the minimal capital requirements, failed to maintain accurate account documentation, and at least one instance affirmatively mislead the exchange with respect to ownership of Capcom and Capcom London.

We have detailed in our written submission responses to the committee's specific questions, and to the extent that we have that knowledge would be glad to respond to any specific questions here. But what I believe that the history of Capcom's involvement with the exchange demonstrates is that we did not know about this web of illegality which this committee and others have uncovered. We were not aware of that; we did not have an specific evidence of that.

What we did know is that we had admitted member firms who were unwilling to adhere to our rules and regulations, and to the strict financial requirements which we impose upon members. And what we did was to sanction them by ultimately expelling them and removing their clearing status.

I know this committee has a difficult task to try and pierce the web of illegality which surrounds BCCI and make some positive recommendations and findings. We will be glad to do whatever we can, both here today and subsequently with staff, to facilitate that difficult goal.

[The prepared statement of Mr. Early follows:]

PREPARED STATEMENT OF SCOTT E. EARLY

Mr. Chairman: On behalf of the Board of Trade of the City of Chicago, I thank you for the opportunity to appear here today. I must begin by expressing the regrets and apologies of Chairman O'Connor and President Donovan who wished to be here today to testify regarding this critical inquiry; however, previously scheduled matters important to the Exchange demanded their presence. Nevertheless, because the Exchange's involvement in your inquiry into the Capcom firms and their relation to the Bank of Credit and Commerce International ("BCCI") centers on disciplinary actions taken by the Exchange which resulted in the expulsion of Capcom, perhaps it is fitting that the counsel personally involved in that process be present to address your questions.

We understand from the subcommittee's letter requesting our testimony that there are specific questions upon which the subcommittee wishes to focus; we address those specifics, as best we can. I believe it is useful and necessary to give the subcommittee some background regarding the Exchange, its self-regulatory processes and how Capcom's membership and ultimate expulsion fits into that structure. By this means, I believe we can most expeditiously and fully answer the subcommittee's specific inquiries.

It should be noted at the outset that there exists an inherent irony in our appearance before you today: that is, the essential basis for Capcom's expulsion from the Board of Trade is what will prevent us from giving this subcommittee some of the specific evidence it seeks.

Capcom was expelled essentially for failure to satisfy the Exchange that it was maintaining its books and records in conformity with the high standards of financial and trading integrity which we demand of all members. Thus, rather than having direct evidence of any specific fraud, money laundering or other illegal activity, the Board of Trade expelled Capcom for not being able to satisfy our governing committees and Directors that it was conducting its activities in a sound, prudent manner in conformity with Exchange requirements. This subcommittee will see that the very disarray of Capcom's records which led to its expulsion now prevents us in many cases from identifying specific customer account ownership and transactions and, indeed, from identifying the true ownership of the accounts and, ultimately, of the firms themselves.

Nevertheless, we will supply this subcommittee with whatever information we can regarding Capcom just as previously we have cooperated fully with the investigations of the Federal Bureau of Investigation, the Commodity Futures Trading Commission and other governmental agencies, both domestic and foreign. We will work with the subcommittee's staff to supply whatever information regarding Capcom we are able subject to existing confidentiality restrictions in the hope that this subcommittee's inquiry can and will lead to the prevention of any recurrence of a BCCI-like tragedy.

THE EXCHANGE

The Board of Trade of the City of Chicago is the world's oldest and largest futures exchange. Founded in 1848, the Exchange currently is designated by the Commodity Futures Trading Commission ("CFTC") as a contract market for five of the nation's top ten contracts (by mid-1992 volume) including United States Treasury Bond Futures and Options on U.S. Treasury Bond Futures. In 1991, the Exchange traded nearly 140 million contracts, 30 million more contracts than that of the next largest domestic futures exchange, the Chicago Mercantile Exchange.

The Exchange is a self-regulatory organization ("SRO") which means it does more than simply write and enforce its own rules and regulations. The Exchange devotes significant resources to insure member integrity, first at admission and continuously while a person or firm remains a member.

All members are required by Rule to be "* * * Of good character, reputation, financial responsibility and credit * * *" (emphasis added), as determined in the first instance by the Membership Committee and approved by the Board of Directors. Applicants are required to submit extensive background information which is subject to independent, professional verification.

Member firm integrity is insured not only by these admission requirements and the auditing and financial surveillance of member firms (which I will explain in a moment), but also by the financial structure of Exchange membership participation in the clearing system. Futures exchanges are unique among the world's financial markets in that every trade when accepted for clearing on a daily basis becomes guaranteed regarding its performance. At the Board of Trade, the baring function is performed by the Board of Trade Clearing Corporation (the "Clearing Corporation"), an independent corporation whose shareholders are approximately 130 Exchange members and member firms possessed of sufficient capital and integrity to meet the Clearing Corporation's high financial standards. All Exchange trades must be cleared by the Clearing Corporation or through the accounts of a Clearing Corporation member firm. Once cleared, the financial guarantee of the Clearing Corporation eliminates the counterparty risk of failure present in other financial markets, especially over-the-counter, unregulated markets.

The critical consequence of this process is that the financial liability for all trades ultimately rests with the clearing members. Thus, clearing firms exert financial discipline over all customers trading through their accounts, member or non-member, just as the Clearing Corporation imposes that discipline upon all clearing members themselves, principally by daily mark-to-market margin or performance bond payments.

Additionally, the Board of Trade due to contract default since the inception of the Clearing Corporation in 1925. Because of this shared financial accountability, the Exchange regards member financial integrity as a prerequisite for membership in good standing. As detailed herein, Capcom failed to demonstrate this requisite integrity after admission and was expelled for that failure.

While strict member admission standards and financial accountability form the foundation of market integrity, vigorous oversight, surveillance and enforcement are also of paramount importance. As a membership sell-regulatory organization, the Board of Trade monitors compliance with fair and equitable trade practices principally through the Floor Governors Committee, the Business Conduct Committee, the Financial Compliance Committee and the Board of Directors.

Additionally, the Board of Trade continually monitors member and member firm compliance with its rules and regulations, as well as those of the industry, through its Office of Investigations and Audits ("OIA"). As part of its surveillance efforts, the OIA is constantly in contact with other Exchanges, the National Futures Association, the CFTC and other regulators to exchange relevant information.

The OIA's Financial Surveillance Department monitors all Board of Trade member firms' compliance with the Exchange's capital rules and capital guidelines.

The OIA Audits Department conducts biennial reviews of the books and records of each Board of Trade member firm that is registered as a Futures Commission Merchant ("FCM") to determine compliance with Exchange rules and regulations. The Audits Department focuses on the firm's financial and compliance procedures. During a financial audit, a firm's financial condition is analyzed, along with the composition of balance sheets and capital computations to verify that the firm has appropriate procedures to ensure the continuous submission of accurate financial information to the Exchange. Also, customer balances are reviewed and the proper segregation of customer funds is verified. The Audits Department also makes surprise sales practice reviews of member FCMs branch offices and guaranteed introducing brokers.

In order to best comprehend Capcom's involvement at the Board of Trade, some discussion of hedging using futures contracts is useful. Hedging is one of the fundamental purposes and benefits of futures markets (price discovery being the other). Hedging, in its simplest conception, consists of the management and reduction of market risk arising from a market position by means of another market position, in this instance futures and options on futures contracts. Use of the U.S. Treasury Bond futures contracts provides a graphic (and relevant) example.

The primary government securities dealer may and does buy more than one billion dollars worth at a time of long term U.S. Treasury bonds at a U.S. Treasury auction (which funds our national debt). The primary dealer buys that $1 billion worth of bonds to earn a spread of one or two thirty-seconds of 1 percent of the value of those bonds over the several days or even weeks that it may take to sell all those bonds to long term investors.

However, in less than 60 seconds, the price of bonds can move five to ten times the amount of the dealer's expected spread. In a days time a 1 or 2 percent change in price is not uncommon. That is 30 to 60 times the spread the dealer stands to earn. Hedging a large quantity of bonds in 10 seconds instead of one minute or in 5 seconds instead of 10 seconds can make all the difference in the world to a dealer and to his active participation in U.S. Treasury debt auctions.

Hedging interest rate risk through use of the Board of Trade's Treasury Bond contract was one of the stated purposes for Capcom's membership in the exchange.

CAPCOM'S MEMBERSHIP AND EXPULSION

The history of the Capcom firms' involvement with the Board of Trade exemplifies how and why the systems of member integrity at the Exchange work well to protect the marketplace and its users from those who seek to abuse the markets upon which so many depend for price discovery and risk hedging.

Capcom Financial Services, Ltd. ("Capcom London") became a member of the CBOT on October 11,1985. Its U.S. subsidiary, ("Capcom Chicago") became a member of the CBOT on May 1,1986 and subsequently a member of the Clearing Corporation. The stated reasons for Capcom Chicago's membership status was to clear customer business, particularly in the Treasury Bond contracts. The CME was the designated self-regulatory organization ("DSRO") for Capcom Chicago.[1] Capcom London's stated purpose was to be a non-clearing member making proprietary trades only.

Thus, even though the Board of Trade was not primarily responsible for financial supervision of the Capcom firms, you will see that the Exchange was rigorous in its oversight of the firms.

On January 22, 1987, OIA examiners commenced a review of Capcom Chicago and Capcom London. The purpose of the review was to determine the nature of Capcom Chicago's and Capcom London's business, and to review the firms' trades to verify their classification as hedge positions.

OIA's review resulted in the discovery of serious violations of Exchange requirements. As a consequence, the Business Conduct Committee (the "Committee") on July 7, 1987 charged that Capcom violated Exchange Rules and Regulations in that:

(1) Capcom London acted as principal rather than agent in transactions entered into on behalf of its customers;

(2) customer orders for the purchase and sale of futures contracts in U.S. Treasury Bonds ("T-Bonds") were transmitted from CAPC0M London to Capcom Chicago, which in turn placed orders to execute identical trades for Capcom London's proprietary account;

(3) Capcom London then confirmed to its customers transactions in CBOT T-Bond futures;

(4) as a direct result of designating trades as those for CAPC0M London's proprietary account rather than for the benefit of customers, Capcom London was assessed member transaction fees and lower margin requirements were imposed; and

(5) because the transactions did not appear to be for the benefit of customers, Capcom Chicago was not requested to segregate customer funds and improperly reported open positions in T-Bond futures contracts as belonging to Capcom London and not to Capcom London's customers.

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[1] In the futures industry, a DSRO has primary regulatory and audit responsibility for FCM member firms. This does not mean exclusive responsibility; the firm remains accountable to each Exchange for its conduct on that Exchange. However, the primary responsibility for auditing for financial compliance rests with the DSRO.

It may be of interest to the subcommittee to pause for a moment regarding this trading pattern infraction. What Capcom was doing was selling futures positions to customers "from inventory." This is a common practice in over-the-counter markets, but impermissible in United States regulated futures markets, where all trades must be conducted in public on the floor of the Exchange.

Where trading is done as Capcom did, it is common that the customer will be charged a price different from that obtained by the firm actually making the trade. While this can be a legitimate markup, it also could be a means to facilitate the money laundering which this subcommittee is investigating.

Capcom London settled these charges and was ordered to cease and desist from any violations of the specified Rules and Regulations, and to comply fully with other specific conditions. Capcom Chicago was ordered to remit $124,000 in exchange service fees and to cease and desist from any violations set forth and to comply fully with other specific conditions.

On August 18, 1987, the Exchange notified the firms' legal counsel by letter that the committee expected to receive, by no later than October 1, 1987, a written submission outlining the steps the firms had taken to comply with the offer of settlement. On September 23, 1987, the firms wrote to the committee indicating the steps each firm had taken to comply with its respective offer of settlement. Based on the firms' representations of the corrective actions taken by both firms, the committee concluded that no further action was immediately necessary. However, the committee expressly instructed OIA to institute a followup examination of both firms within the next several months. Thus, having experienced serious concern regarding both firms' operations, the committee subjected them to increased scrutiny and review.

OIA commenced a followup examination of Capcom London and Capcom Chicago on February 29, 1988. The objective of the followup was to review the firms' compliance in accordance with the terms of settlement previously accepted and the representations of corrective action taken. No further, immediate action was deemed necessary by the committee. However, the committee instructed Exchange staff to continue closely monitoring both firms' activities.

In October 1988, the Exchange learned that a U.S. grand jury had issued indictments against several parties, including BCCI and Capcom London, on charges of laundering money relating to cocaine sales. OIA was informed of the indictments on October 12, 1988. In light of this new development, the committee instructed OIA immediately to investigate both firms' account documentation and to coordinate with U.S. Law enforcement officials to determine the status of the firms' business transactions. Exchange staff spoke to representatives of the Federal Bureau of Investigation and other U.S. Governmental agencies including, of course, the CFTC. Additionally, 01A was in daily contact with the Capcom Chicago's DSRO, the Chicago Mercantile Exchange. OIA also coordinated closely with the Clearing Corporation in its immediate review of Capcom Chicago's status as a cleaning member.

As a result of these investigations and the responses from Capcom, the Clearing Corporation determined that Capcom Chicago's clearing privileges should terminate; effective October 20, 1988, all Capcom positions were cleared by another Exchange clearing firm. This withdrawal of clearing privileges was finalized in June 1989 when Capcom Chicago's Clearing Corporation stock was redeemed. The subcommittee should be aware that in the futures industry, withdrawal from clearing status is a very serious event.

From October 12, 1988 through October 31, 1988, OIA continued to coordinate not only with U.S. Governmental agencies, but also had discussions with the Association of Futures Brokers and Dealers ("AFBD"), the International Commodities Clearing House ("ICCH") and the London Drug Traffic Authority concerning the indictments. One focal point of the discussions was the actual identity of the individuals and firms who ultimately owned and controlled both firms. By now, this subcommittee no doubt has experienced first hand the daunting challenge of this undertaking.

On November 23, 1988, the CBOT discussed the London authority's current review of possible money laundering at Capcom Chicago and Capcom London with the CFTC. At the time, the Exchange was informed of no specific evidence regarding laundering of funds through Capcom Chicago, but was aware that London authorities still had unanswered questions regarding large money transfers at Capcom London.

On January 7, 1989, the CBOT sent a list of questions to Capcom London requesting further explanation of the ownership of the firm. OIA received the firm's response to the inquiry on January 24, 1989. Based on all these investigations and discussions, the committee issued preliminary charges on February 16, 1989 against

Capcom London for misstating the ownership of the firm on more than one occasion.

Following several hearings, the committee's review of OIA's investigation and the outstanding charges, an order was issued by the chairman of the Exchange on March 30, 1989 stipulating that Capcom London be suspended from membership and that all positions be transferred to a non-affiliated FCM on a fully disclosed basis. The final Third Amended Order stipulated that Capcom London: (1) be suspended from membership; (2) not carry any customer or proprietary accounts or place orders for any futures or options contracts traded on a designated contract market in the U.S.; and (3) be barred from having ownership interest in or control over any CBOT member firm.

Subsequently, on May 1,1989, the committee also fined Capcom London $25,000 based on the conclusion that the firm: (1) failed to notify the Exchange of, material changes in its organizational structure; (2) made material misstatements to the Exchange regarding the ownership of the firm; and (3) failed to furnish accurate information to the committee concerning the firm's ownership.

Additional charges were made after the committee reviewed the reports of independent auditors, Coopers & Lybrand, who were retained by Capcom in response to the concerns of various regulators. The Coopers & Lybrand audit report described substantial deficiencies in Capcom London's account and transactional documentation. A separate Arthur Andersen & Co. Audit report substantiated the Coopers & Lybrand report, as did reports from a third auditing firm. As a result, the committee issued formal charges with the Exchange Board of Directors against Capcom London on May 26, 1989. These charges found that Capcom London:

(1) failed to maintain accurate books and records;

(2) was unable to demonstrate that it was able to meet or exceed minimum capital requirements;

(3) failed to maintain accurate account documentation;

(4) engaged in conduct inconsistent with just and equitable principles of trade;

(5) engaged in acts detrimental to the interest and welfare of the Association; and

(6) engaged in reckless and unbusinesslike dealing.

Based on the above charges, the Board of Directors reviewed the matter and received an oral offer of settlement from the firm's legal counsel on August 15, 1989 which the Board accepted. The settlement provided that Capcom London be permanently expelled from membership at the Chicago Board of Trade and that the firm was never to reapply for membership. The termination of Capcom London's CBOT membership was effective September 28, 1989.

On June 12, 1989, the Exchange and the Clearing Corporation received letters from Capcom Chicago indicating their desire to withdraw from membership. The committee approved this request on June 19, 1989. Capcom Chicago's termination of CBOT membership became effective on June 30, 1989. Today, Capcom Chicago is not a member of any exchange.

SPECIFIC SUBCOMMITTEE INQUIRES

The subcommittee's July 10, 1992 letter inviting our testimony specified several precise areas of inquiry which the committee wished to discuss. As the foregoing illustrates, the very reason Capcom was expelled to some degree prevents us from as precise a response as we and the committee desire. Nevertheless, we have detailed responses to the committee's specific inquiries in our written testimony; furthermore, as stated previously, we stand ready to cooperate fully in any way we can to supplement our responses and further this committee's inquiry.

CONCLUSION

The Chicago Board of Trade history of the Capcom firms illustrates the vitality and importance of self-regulation in the futures industry. The Exchange and its Clearing Corporation had no specific knowledge of the fraudulent web of BCCI or any involvement by Capcom in specific acts of fraud, money laundering or other illegal activities.

What the Exchange did know is that it had admitted member firms unwilling to adhere to the Exchange's strict requirements for financial integrity. What it did was to sanction and ultimately expel those firms when they failed to demonstrate their ability to adhere to those requirements.

This subcommittee has the difficult and unenviable task of attempting to forge positive, prospective recommendations out of the financial rubble left by BCCI. We hope our testimony has assisted the subcommittee in some small way to meet its

goals and we would be pleased to do what we can to further assist the subcommittee's inquiry. I would be pleased to respond to any questions which the subcommittee may have.

Senator KERRY. Thank you very much, Mr. Early. I appreciate that; it is helpful. Mr. Beyer.

STATEMENT OF GERALD BEYER, EXECUTIVE VICE PRESIDENT, CHICAGO MERCANTILE EXCHANGE

Mr. BEYER. Mr. Chairman. My written testimony, which has been furnished to you, describes in detail actions taken by the CME to gain information respecting Capcom U.S., which was a member of our exchange, and actions actually taken against the firm.

My testimony here will merely recap my written statements. After a detailed review of its application, and relying on outside credit and investigative reports that disclosed no negative information, Capcom U.S. was approved as a member of the Chicago Mercantile Exchange in 1985.

3 years later, the indictment of a related individual, S.Z.A. Akbar, and of a related entity, Capcom Financial Services, Limited, which was not a CME member, was publicized. Starting on the next day and continuing for sometime thereafter, the exchange took several actions. They are as follows:

No. 1, ordered Mr. Akbar to exercise no control over the management of the firm, to resign as a director, and to transfer voting control of any stock in Capcom U.S. to another party;

No. 2, prohibited the firm from carrying any house positions for itself for Capcom U.K. or any affiliated entity;

No. 3, instructed the firm to inform those banks at which funds were held to allow exchange staff to monitor all transactions into and out of those accounts, and to disallow any outgoing transfers that were questionable;

No. 4, ordered Capcom U.S. to provide us with information which was intended to allow us to focus on money laundering allegations and accounts owned or controlled by Mr. Akbar or BCCI;

No. 5, ordered that accounts owned or controlled by Mr. Akbar be traded for liquidation only;

No. 6, required the firm to report by 5 p.m. daily a list of all disbursements out of either customer or house accounts;

No. 7, ordered the firm to inform Capcom U.K. to instruct its auditors to report to the CME transactions which could be construed to be violations of the U.K. Drug Trafficking Offenses Act;

No. 8, required the firm to have no officers, directors, or shareholders in common with Capcom U.K, to replace a subordinated loan from Capcom U.K. with a loan from an entity not affiliated with Capcom U.K., and to require the transfer or sale of Capcom futures stock held by Capcom U.K.;

No. 9, required Capcom U.S. to engage its auditors to provide a money laundering and internal controls review, and informed them that if they did not, we would hire the firm ourselves and assess Capcom U.S. for fees incurred;

No. 10, prohibited Capcom U.S. from resigning as a clearing firm until issues raised in the CFTC report could be resolved;

No. 11, directed Capcom U.S. to respond to a series of questions raised by a CFTC investigation that had been provided to us;

No. 12, charged Capcom with multiple rule violations after finding that the firm had no reasonable answers to the questions posed by the CFTC report;

And last, fined Capcom futures $500,000 accepted its agreement to withdraw as a member firm.

Senator KERRY. This would have been 1988?

Mr. BEYER. Yes, sir, it would have been. During the period from the announcement of the indictments to Capcom U.S.'s being sanctioned——

Senator KERRY. I am getting a bit—hold on.

Dr. GRAMM. It is 1989 when they actually withdrew, because it was October of 1988 when the indictment——

Senator KERRY. When were these directives issued?

Mr. BEYER. These directives were issued from the time of the indictment, which was——

Dr. GRAMM. Which was 1988.

Senator KERRY. All right, thank you.

Mr. BEYER. Which was 1988 through the——

Senator KERRY. I am sorry.

Mr. BEYER. Through the period through September of 1989. During this period, from the announcement of the indictments to Capcom U.S.'s being sanctioned, we contacted, or had contacted on our behalf, the following organizations in an attempt to learn to what extent our firm may have been involved in money laundering: the U.S. Customs Service; the U.S. Attorneys Office in Tampa; Scotland Yard; and various other U.K. organizations, including the ICCH, the AFBD, the SIB, and the drug and financial investigations branch of the Customs and Excise Office.

Additionally we engaged Interpass, an international security company that we had used with positive results in prior instances, to attempt to gain information respecting the company, its officers, and various other entities. This included Mr. Akbar, Capcom U.S., Capcom U.K., Larry Romrell, Robert Magness, Western Telecommunications, and American Telecommunications. No negative information respecting money laundering or drug trafficking was uncovered except that which had been the subject of the indictments. The exchange also received and relied upon reports from Coopers & Lybrand and Peat, Marwick, & McLintock.

During the entire investigation we were in contact with the CFTC to coordinate that matter. The CFTC's report, which was furnished to us, provided us with the information necessary to take the final action against the firm. We worked and consulted with the CFTC at all times, and believe that they communicated with the appropriate regulators that might have been interested in the matter.

We have, and continue to express, a willingness to cooperate with law enforcement officials in an attempt to ascertain if one of our firms was being used to launder money. That concludes my testimony. Thank you.

[The prepared statement of Mr. Beyer follows:]

PREPARED STATEMENT OF GERALD D. BEYER

Ar. Chairman, members of the Subcommittee, my name is Gerald D. Beyer. I am Executive Vice-President of the Chicago Mercantile Exchange (CME). Capital Com-

modity Dealers (USA) Inc., the predecessor of Capcom Futures, Inc. ("Capcom"), applied for membership in the Chicago Mercantile Exchange ("CME") on August 16, 1985. It indicated an intent to do proprietary business and to do customer business at a future date. The original officers were Larry E. Rommell, CEO, Mohammad Saghir, President, and Ajay K. Puri, Secretary/Treasurer. Ownership was as follows:

Capital Commodity Dealers Ltd., 82 percent;
Zask Trading & Investment, Inc., 9 percent; and
Aohammad Saghir, 9 percent.

Because its application was in order and the credit and investigative reports secured by the CME revealed no negative information, the firm was approved for membership on October 16, 1985.

On October 11, 1988, the indictment of Capcom's affiliate, Capcom Financial Services, Ltd., ("Capcom U.K.") and of an individual associated with the firm, Sayed Ziaudinn Ali Akbar, ("Akbar") was publicized. The CME Audit Department immediately undertook an investigation of Capcom.

At this time, CME and CFTC staff discussed steps necessary to ascertain Capcom's involvement in the allegations, including the methodology for the investigation and the respective roles of our organizations and to ensure that the information generated was relayed promptly. We were equally concerned about the security of customer funds on deposit with the firm. While many directives were issued to ensure the protection of customer funds, they are not the subject of my testimony today.

On October 12, 1988, the Clearing House Finance Subcommittee ("Committee"), which has authority over CME firms, met to consider the allegations and to determine whether any conditions ought to be imposed on Capcom's continued operation. At about the same time, CME staff, in order to discharge its self-regulatory responsibilities, called the U.S. Customs Service, Scotland Yard, and the U.S. Attorney's Office in Tampa to ascertain whether and how our markets were involved in any money laundering schemes. Additionally, inquiries were made on our behalf of the following U.K. Organizations: the Association of Futures Brokers and Dealers, the International Commodities Clearing House Limited, the Securities and Investment Board and the Drugs & Financial Investigations Branch of the Customs and Excise Office.

The details of the orders issued by the Committee during 1988 and 1989, its directives and inquiries, about which I will testify, may be derived from the contemporaneous minutes of the Committee and correspondence with Capcom and its affiliated entity, Capcom U.K. All such documents are available for review by your staff.

On October 12, 1988, the Committee ordered that Mr. Akbar exercise no control over the management of the firm, be requested to resign as a director and to transfer voting control of any stock in Capcom to another party. Additionally, the firm was prohibited from carrying any house positions on any U.S. Futures exchange for itself, Capcom U.K. Or any other affiliated entity. And finally, the firm was instructed to inform those banks at which funds were held to allow Exchange staff to monitor all transactions into and out of those accounts and to disallow any outgoing transfers. Capcom agreed to each of these orders.

On October 14, 1988, the CME Audit Department initiated a special request for additional information. The CME's request focused on the money laundering allegations, accounts owned or managed by Mr. Akbar or Bank of Credit and Commerce International and its affiliates, and the following four accounts:

1. Ixora Investments;
2. Brenchase Limited;
3. Capcom Securities Limited; and,
4. General Securities Corp.

A preliminary response was received, and the Committee met again on October 18, 1988, and ordered that accounts owned or controlled by Mr. Akbar be traded for liquidation only.

On October 20 and 26, 1988, the CME received reports from Interpass Limited ("Interpass"), an international protection and security service company, which the CME had engaged to ascertain any information to which it had access regarding Mr. Akbar, Capcom, Capcom U.K., Larry Romrell, an exdirector of Capcom U.K., Robert Magness, an exdirector of Capcom U.K., Ajay K. Puri, an exdirector of Capcom U.K., Western Telecommunications, Inc., American Telecommunications, Inc., Roamlinx Travel Agency, and Sophistica Ltd. No negative information was reported to us.

The Committee met again on October 26, 1988, and reaffirmed and expanded the reporting requirements and restrictions that it had previously imposed on Capcom.

This included: requiring the firm to furnish to the Exchange by 5:00 p.m. Daily a list of all disbursements out of either customer or house accounts; continuing to require CME staff approval of any disbursements made to Mr. Akbar or Capcom U.K.; and ordering the firm to inform Capcom U.K. To instruct its auditors, Coopers & Lybrand, to report to the Exchange transactions which could be construed to be violations of the U.K. Drug Trafficking Offences Act. Capcom also agreed to comply with these orders.

In November and December, we received followup reports from Interpass. They reiterated their earlier finding, which was that no information was found linking the parties covered by the report with past criminal activity, including money laundering and drug trafficking, except for the matter that was presently of concern respecting Mr. Akbar and Capcom U.K. Because of prior investigations that they had conducted on our behalf, we believed them to have access to information that we could not have obtained.

In January 1989, Capcom affirmed its acceptance of all CME terms regarding the investigation and Capcom's continued operations. Ar. Akbar had resigned on October 13, 1988, and transferred control of his voting stock on October 18, 1988.

On March 21, 1989, the Coopers & Lybrand interim report on Capcom U.K. Was received and reviewed. While our member firm, Capcom, did not appear to be involved in any money laundering, the U.K. Auditors reported that three transactions were identified that appeared to involve Capcom U.K., as a result of Mr. Akbar's contacts, with companies established by U.S. Undercover agents operating in Florida. The auditors further reported that one of the three transactions was the subject of the U.S. Indictment. The review further found that Capcom U.K.'s recordkeeping was inadequate, particularly in relation to customer documentation, the identification of remitters of funds, and, more importantly, why funds were credited to particular customer accounts.

On March 28, 1989, the Committee reviewed the results of the daily monitoring that had been undertaken since October of 1988. The Committee modified its order respecting daily reports, but retained all other restrictions on the firm's operations.

In early May, we received through the offices of the CFTC a report issued by the U.K. Firm of Peat Marwick McLintock, which had been appointed by the 519 to investigate the affairs of Capcom U.K. The report disclosed, among other things, that beneficial owners of various related companies could not be ascertained, that documentation could not be obtained supporting the nature of the business arrangement between these entities and Capcom U.K., that the auditors had received inconsistent statements from the officers of Capcom U.K. Regarding the receipt of funds from its clients, that certain foreign exchange or bullion transactions had been identified as having created artificial profits or losses for client accounts, and that explanations provided by Mr. Akbar were either illogical or not capable of corroboration. The report concluded that Mr. Akbar was not a fit and proper person to be director or controller of Capcom U.K. Or any other investment business, that to allow the business to continue represented an unacceptably high risk to other investors, and, finally, that there was little justification for Capcom U.K. Being permitted to retain its authorization as an investment business.

As a result of this report, the Committee placed additional restrictions on Capcom's operations by requiring the firm to have no officers, directors, or shareholders in common with Capcom U.K., to replace the subordinated loan from Capcom U.K. With a loan from an entity not affiliated with Capcom U.K. And to require the transfer or sale of Capcom stock held by Capcom U.K.

In late May 1989, the Exchange received another Interpass report commissioned by the Exchange. That report covered Capcom, Capcom U.K. And Mr. Amhammad Saghir, President and CEO of Capcom, who apparently worked for BCCI or its subsidiary, the Bank of Oman, from 1974 through 1986. No derogatory information was uncovered.

On June 5, 1989, the Committee gave Capcom a short extension to comply with certain ownership requirements, but imposed Additional conditions on its operations, including requiring the firm to engage KPMG Peat Marwick to conduct a money laundering and Internal controls review.

On June 14, 1989, Capcom informed us that as of June 30, 1989, Capcom would withdraw as a clearing member of the CME. The next day, we informed Capcom that the money laundering and internal controls review would be conducted regardless of the firm's intention to withdraw as a clearing member and that if the firm did not engage its auditors to conduct the review, we would hire them and assess the firm for fees incurred.

In July, the CFTC provided the CME with the results of the CFTC's investigation. On the same day, the Committee denied Capcom's request to withdraw from mem-

bership pending resolution of issues raised by the CFTC investigation. Additionally, because the CFTC review met the objectives of the review to be done by the firm's outside auditors, the Committee rescinded the order to have the firm's outside auditors conduct the review. Later that month, we were informed that Capcom U.K. Had been expelled from the AFBD, effective in mid-August 1989.

On August 1, 1989, the Committee requested that Capcom respond to a series of questions raised by CFTC and CME staff respecting transactions that appeared to violate CME rules. During August, the CFTC provided additional information to the CME respecting matters necessitating further review.

On August 15, 1989, the Audit Department provided its report to the Committee, recommending that multiple charges be issued, including violations of Exchange Rules 423.b. ("Act of Bad Faith"); 432.o. ("Permitting the Misuse of Facilities"); 432.q. ("Detrimental Act"); and 433.b. ("Uncommercial conduct"). The committee issued the charges as recommended. The CME's internal investigation, which was provided to the CFTC, noted, among other things, that there were several large transfers of positions and funds for which Capcom had no explanation.

On October 10, 1989, Capcom settled the charges by agreeing to a $500,000 fine and to withdraw from membership in the Exchange.

At all times, the Exchange worked and consulted with the CFTC. We believe that the CFTC communicated with the appropriate regulators that might have an interest in the matters uncovered by the investigation. We have repeatedly expressed our willingness to cooperate with law enforcement officials, and, in fact, contacted or had contacted on our behalf the U.S. customs Service, Scotland Yard, the U.S. Attorney's Office in Tampa, the AFBD, the ICCH, the SIB, and the Drugs & Financial Investigations Branch of the Customs and Excise Office. In each case, we offered whatever services were necessary to ascertain if one of our member firms was being used to launder money.

Our part in the case concluded three years ago. We believed then that we and our regulator, the CFTC, cooperated effectively and acted expeditiously to protect the integrity of our markets. Our recent review of the files confirms that belief.

Senator KERRY. Thank you very much, Mr. Beyer. Thank you, all of you, for your testimony. I would like to get a sense, and try to put this into perspective and layperson's language a little bit.

Before I do that, we have a great many documents here relating to Capcom directors, shareholders, and operations. Also the Peat Marwick audit and some of the diaries, business diaries of Mr. Romrell, et cetera. And I am going to make those part of the record at this point in time.

[The information referred to follows:]

Capcom: Index to Released Documents
Prepared by the Office of Senator John F. Kerry
30 July 1992

Summary

I. Introductory Correspondence
   A. Refusal of Key Figures to Testify Before the Subcommittee
   B. Relationship between TCI and BCCI

II. The Peat Marwick Report re the Scope of Capcom's Activities

III. Interrogatories/Personal Statements of Key Figures
   A. Robert Magness
   B. Larry Romrell
   C. Robert Powell

IV. Relationship Between BCCI, Capcom and TCI/WTCI

V. Shareholding relationship between Romrell and Akbar

VI. Capcom and Its Regulators
   A. Chicago Mercantile Exchange
   B. Chicago Board of Trade
   C. National Futures Association

VII. Capcom Shareholders and Directors

VIII. Other Deals Between Romrell/TCI and Akbar/BCCI

IX. Purchase of Romrell/Fox House by Khalil

X. Formation and Funding of Capcom

XI. Day-To-Day Operation of Capcom

XIIA. Relationship between BCCI, Romrell and Capcom: Winterwood Associates

XIIB. Relationship between BCCI, Romrell and Capcom: Winterwood Associates

XIII. Relationship Between Fox, Akbar, And ATC

XIV. Relationship Between Romrell and Awan

XV. Relationship Between Fox and Capcom: The Capital Fund

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30 July 1992

[Note: Each roman numeral in the index is indicated within the documents by a blank sheet of paper.]

I. Introductory Correspondence

A. Refusal of Key Figures to Testify Before the Subcommittee

07/28/92 Letter from Bruce F. Black to John Kerry declining an invitation to testify before the subcommittee.

07/27/92 Letter from Lynn H. Cole to David McKean asserting Kerry Fox's Fifth Amendment right against self-incrimination.

B. Relationship between TCI and BCCI

02/11/92 Letter from Bertram Perkel to John Kerry re TCI and its relation to BCCI.

06/29/92 Letter from Bertram Perkel to John Kerry re TCI and its relation to BCCI ("confirm[ing] that no person or entity publicly identified as having a BCCI relationship has done business with . . . TCI or a Related Company").

11/14/84 Letter from Romrell to Akbar proposing a $200,000,000 TCI credit line and a $50,000,000 WTCI credit line from BCCI.

II. The Peat Marwick Report re the Scope of Capcom's Activities

_____ Draft Affidavit of Ian Glendinning Watt of Peat Marwick McLintlock.

III. Interrogatories/Personal Statements of Key Figures

A. Robert Magness

_____ Subcommittee document: "Questions for Robert Magness."

05/12/92 Letter from Bob Magness to John Kerry re relationship between BCCI and Capcom.

B. Larry Romrell

06/09/92 Letter from McKean to Bruce F. Black, Esq., enclosing 71 interrogatories to be answered by Larry Romrell.

07/03/92 Document produced by Romrell in response: "Answers of Larry Romrell to Questions From Senate Subcommittee."

C. Robert Powell

06/21/92 Letter from Robert Powell enclosing answers to 53 interrogatories posed by the subcommittee.

07/01/92 Letter from David McKean requesting answers to 20 additional questions.

07/08/92 Document produced by Powell in response.

IV. Relationship Between BCCI, Capcom and TCI/WTCI

11/17/81 Letter from Romrell to Akbar enclosing information on TCI.

11/03/82 Letter from Romrell to Akbar re $12 rise in TCI stock.

06/09/83 Telex from Romrell to Akbar re TCI one-for-one stock split.

05/24/85 Letter from Romrell to Akbar enclosing the WTCI and the TCI annual reports (no attachments).

11/14/84 Letter from Romrell to Akbar proposing a $200,000,000 TCI credit line and a $50,000,000 WTCI credit line from BCCI.

02/20/85 Letter from Romrell to Akbar enclosing a 5-year projection of WTCI (no attachments).

V. Shareholding relationship between Romrell and Akbar

03/19/84 Telex from Romrell to Akbar re trading of WTCI stock and a $200,000 line of credit for purchase of stock by Romrell personally and by Romrell for Akbar.

04/02/84 Letter from Romrell to Akbar re Romrell's purchase of WTCI stock for both Akbar and Romrell.

07/20/87 Letter from Romrell to Kahlil, Kamal Adham, and El Gohary re the Capcom restructuring. Romrell notes, "As far as I am concerned, except for my paid-up stock and notes, I have acted as nominee for one or more of the original shareholders."

07/26/87 Letter from Romrell to Khalil, Kamal Adham and Jawhary re the restructuring. Romrell notes, "It was understood by the reorganized shareholders that they were nominees for the original shareholders."

VI. Capcom and Its Regulators

A. Chicago Mercantile Exchange

08/21/89 CME Document: "Activities of Capcom Futures, Inc., From January 1986 through May, 1989." Attachments:
- Internal Investigation, File no. 89--CH-8911
- 08/01/89 letter to Saghir of Capcom Futures Inc. from Kevin P. Holland of Chicago Mercantile Exchange re Capcom's response to interrogatories
- Interrogatories by the CME, with exhibits

07/26/89 Letter to Catherine Carter of the Chicago Mercantile Exchange from Larry B. Sheafe of Interpass Ltd re the relationship between Zafeer and Saghir.

10/18/89 Document from Chicago Mercantile Exchange, "Alleged Rule Violation" and "Findings."

B. Chicago Board of Trade

04/24/87 Letter from Yvonne Downs (of the Chicago Board of Trade) to Saghir (of Capcom) enclosing the findings of the CBOT Office of Investigations (attached).

03/26/87 Confidential report of a review "to determine the nature" of Capcom's business.

04/22/87 Supplement to the original 03/26/87 report.

C. National Futures Association

10/19/90 In the Matter of Capcom Futures, Inc., Complaint before the Central Regional Business Conduct Committee of the National Futures Association.

08/18/89 Letter to Mohammad Saghir of Capcom Futures Inc. from Kevin P. Holland of Chicago Mercantile Exchange re violation of Exchange rules.

VII. Capcom Shareholders and Directors

08/84 "Capital Commodity Dealers Limited: A Brief Resume of

the Company and its Directors -- August 1984."

10/31/85 Capcom List of Shareholders as of 31 October 1985.

05/31/88 Letter to Kevin P. Holland from Mohammad Saghir listing the shareholders of Capcom Futures, Inc.

12/31/88 Capcom List of Shareholders as of 12/31/88.

VIII. Other Deals Between Romrell/TCI and Akbar/BCCI

10/27/82 Telex from Romrell to Akbar re "subscription television service" in Saudi Arabia.

12/17/82 Telex from Romrell to Akbar re a cable system in Jeddah.

01/06/83 Letter from Romrell to Akbar re advice on the "cable television distribution system" in Jeddah.

12/16/83 Telex from Romrell to Akbar re BCCI $2.5 million line of credit for purchase of Winterwood Townhomes.

_____ Telex from Romrell to Akbar re a "Hospital Deal in Texas."

06/08/84 Letter from Romrell to Akbar re purchase of an Industrial building in Salt Lake City ("[W]ith [my brother's] inside information, we could make a reasonably attractive deal.").[1]

IX. Purchase of Romrell/Fox House by Khalil

03/16/82 Letter from Romrell to Akbar re a delay in Khalil's purchase of the Potato Patch property.

10/20/82 Letter from Romrell to Akbar re October meeting and sale of Potato Patch house.

01/17/86 Letter from Romrell to Akbar outlining 3 potential deals: the Vail house, a stock purchase, and a property in Phoenix, Arizona.

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[1] This document is located at the end of the set of documents (late addition).

X. Formation and Funding of Capcom

02/27/84 Telex from Romrell to Akbar re Akbar's "proposal to invest in a U.S. brokerager firm . . . and to participate in the ownership and operation to the mutual benefit of BCCI and ourselves."

05/27/84 Telex from Romrell and Magness to Akbar re acceptance of a Directorship in Capcom.

_____ Document: "Wire transfer Mr. Akbar's payments to . . . ZASK."

_____ [07/01/__?] Handwritten note on Romrell's TCI memo pad re establishing Capcom in London, New York, and Chicago.

_____ [07/01/__?] Handwritten note on Romrell's WTCI memo pad re funding of Romrell's and Magness's 1% share in Capcom.

_____ Brief resume of Sheikh Khalil and other Capcom shareholders.

06/19/84 Letter from Romrell to Puri enclosing Romrell's Share Application for 110,000 ordinary shares.

02/13/85 Fax from Puri to Romrell enclosing the resolution that A.R. Khalil, Romrell and Magness be appointed as directors of Capcom London.

06/30/87 Loan Agreement between Mr. Larry E. Romrell and Paten Holdings, Inc.

06/30/87 3 documents "For Mr. L.E. Romrell." Attached:
- Old Loan Agreement
- New Loan Agreement
- Authority to Pay Dividends to Paten.

XI. Day-To-Day Operation of Capcom

09/84-06/90 Personal notebooks of Larry Romrell.

XIIA. Relationship Between BCCI, Romrell and Capcom: Winterwood Associates

12/31/86 Statement of Account of Winterwood Associates; return

address of Shaikh Kamal Adham (closing balance: $2.79 million).

XIIB. Relationship between BCCI, Romrell and Capcom: Winterwood Associates

_____ Document, "Winterwood, Charles Howard Group."

XIII. Relationship Between Fox, Akbar, And ATC

01/29/87 Letter from Fox to Akbar re listing Capcom on NASDAQ, taking the company public, and purchasing ATC stock. Attached: receipt for Akbar's consulting services provided to Marshall Swartwood.

02/05/87 Letter from Fox to Akbar re Akbar's $250,000 stock purchase in ATC. Attached: copy of the unsecured promissory note (unsigned).

06/03/87 Letter to Debbie Burden of British Columbia Securities Commission from Kitty Keely for Akbar re Akbar's application for a directorship in ATC.

06/15/88 Letter to Akbar from Fox of ATC re Akbar's $100,000 loan to ATC.

06/27/88 Letter to Akbar from Kitty Keeley of ATC re the grant of a warrant to Akbar of 50,000 shares of ATC.

09/30/88 Letter to Akbar from Fox re profit of ATC stock in July, 1988 and enclosing performance forecast. Attached:
- "ATC Zero Billing Analysis OAN"
- "American Telecommunications Corporation Preliminary Forecast - FY '89"

05/17/90 Fax cover letter to Akbar from Fox with Fox's handwritten notes re Akbar's ATC share acquisition.

06/11/90 Letter to Futures Advisory Servies Ltd. from Kerry R. Fox of American Telecommunications Corporation re FAS's right to acquire 50,000 shares of ATC.

12/02/88 Letter from Kitty Keeley of ATC to Akbar enclosing the stock transfer forms.

XIV. Relationship Between Romrell and Awan

_____ Statement of Witness Larry Romrell (unsigned; submitted in the Tampa indictments[?]).

XV. Relationship Between Fox and Capcom: The Capital Fund

09/30/86 "The Capital Fund: Financial Statements -- 30 September 1986 Together with Managers' And Auditors' Reports."

07/87 The Capital Fund Monthly Performance Report, Month Ending July 1987.

_____ "The Capital Fund;" 4-page summary.

10/__/85 "Capital Management Services Limited: Written Resolution of the Directors Pursuant to Regulation 77 of the New Articles of Association of the Company," unsigned (with signature lines by Dr. Franz Pucher and Fox).

05/17/85 "Preorganization Subscription Agreement" re organizing Capcom under Illinois law; subscribers include Capcom London, ZASK, and Mohammed Saghir.

Holme Roberts & Owen

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Bruce F. Black

July 28, 1992

Senator John F. Kerry
Chairman of the Senate Foreign
Relations Subcommittee on Terrorism,
Narcotics and International Operations
SR-421 Russell Senate Office Building
Washington, D.C. 20510-2102

Re: Larry Romrell

Dear Senator Kerry:

Thank you for your letter of July 23, 1992 in which you invite our client, Larry Romrell, to testify before the Subcommittee relating to his knowledge of Capcom, BCCI and related entities. As you know, Mr. Romrell has provided extensive cooperation to the Subcommittee. It is my understanding that Mr. Romrell intends to provide continued cooperation to the Subcommittee.

As you know, Mr. Romrell told your staff that the BCCI matter has been and continues to be a matter of deep personal embarrassment for him. First, he was astonished and chagrined to learn that he had done business with an institution which, from his perspective, was a leading international bank, but which turned out to be a corrupt and untrustworthy institution. Second, he was even further embarrassed to learn that Capcom has been similarly tainted. Mr. Romrell could only conclude that he was duped into participation in these business activities for reasons which are yet unknown to him. Nevertheless, because Mr. Romrell wishes to avoid any further embarrassment over this issue, he must respectfully decline your invitation.

Thank you very much for your consideration, and that of your staff in this matter.

Sincerely yours,

Bruce F. Black

BFB/jad BFBC/EC7

RALPH G. DELL
RODERICK K. SHAW, JR.
STEWART C. EGGERT
GARY M. WITTERS
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July 27, 1992

VIA FACSIMILE AND REGULAR MAIL

David McKean, Esq.
c/o Senator John F. Kerry
421 Russell Building
Washington, DC 20510

Re: Kerry Fox Subpoena

Dear Mr. McKean:

Pursuant to our telephone conversation on Friday, July 24, 1992, you advised me, as counsel to Mr. Kerry Fox, that the Terrorism, Narcotics and International Operations Subcommittee of the Senate Foreign Relations Committee has scheduled a hearing on July 30, 1992. You requested that I indicate my understanding that a subpoena requiring Mr. Fox's appearance on July 30 would be reissued.

As you are aware, the activities of Mr. Fox and others that are of interest to the Subcommittee are also under review by the United States Attorney for the District of Colorado. The United States Attorney has indicated a willingness to consider granting statutory immunity to Mr. Fox, and we are awaiting a final decision on that matter. We hope to have that matter clarified in the next several weeks, perhaps sooner.

Prior to reissuing your subpoena to Mr. Fox, please again be advised that until such time as we have a final decision from the United States Attorney, Mr. Fox is left with no other recourse but to assert his Fifth Amendment privilege against self-incrimination in response to any questions that may be asked of him by the Subcommittee or its staff. Mr. Fox would willingly answer all questions now but for the fact that the United States Attorney apparently believes there is a basis for granting him immunity. We have offered in the past and continue to offer our full cooperation to the Subcommittee once the immunity decision has been made in Colorado. We will notify you of any change in Mr. Fox's status.

On a professional basis, I appreciate your communication in this regard, since I am unavailable for travel on July 30 because I am expected in a major court hearing in Clearwater, Florida, at 9:00 a.m.

Sincerely,

Lynn H. Cole

LHC/mav

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DANIEL H. BOOKIN
DIRECT DIAL NUMBER
954-4421

July 28, 1992

VIA FEDERAL EXPRESS

David McKean, Esq.
Office of U.S. Senator
John F. Kerry
421 Russell Building
Washington, D.C. 20510

Re: Roy P.M. Carlson

Dear Mr. McKean:

I have reviewed the documents assembled by Mr. Carlson in response to your subpoena, dated July 1, 1992. While the documents do not appear to contain any information in which your committee would be interested, I am directing Mr. Carlson to decline to produce documents requested by your subpoena, based on his Fifth Amendment privilege. In reaching my decision, I have considered the extremely broad nature of your subpoena; the broad, nebulous and politically-charged nature of the various state and federal investigations regarding BCCI; and my inability at this time to obtain the information I need to evaluate fully this matter. Accordingly, Mr. Carlson respectfully declines to produce documents requested by your subpoena, based on his Fifth Amendment privilege.

I appreciate your courtesy in this matter. Please contact me if Mr. Carlson or I can be of any further assistance.

Very truly yours,

Daniel H. Bookin

DHB/lhk
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February 11, 1992

VIA FEDERAL EXPRESS

Senator John Kerry
United States Senate
421 Russell Senate Office Building
Washington, DC 20501

Dear Senator Kerry:

The staff of the Subcommittee under your leadership which has been looking into the BCCI scandal has asked certain questions of Tele-Communications Inc. ("TCI") which relate to your BCCI inquiry. The questions arise from the published reports that two senior TCI officers were associated with Capcom Futures Inc., and Capcom Financial Services Ltd., (collectively referred to as "Capcom") two companies that were most likely fronts for BCCI and associated with illegal dealings.

I have been asked by the General Counsel of TCI to respond to your staff's request as to whether TCI ("TCI") had any business dealings with Capcom. The reason why I have been asked to respond is that in September of 1991, the General Counsel requested that outside counsel conduct a comprehensive review of the business and financial records of TCI and, with appropriate permissions obtained, United Artists Entertainment Corp. ("UAE"), Westmarc Communications, Inc. ("Westmarc") and Liberty Media Corporation ("Liberty") (collectively referred to as the "Related Companies") to determine whether any of these records indicated that TCI or any of the Related Companies had any business dealings or relationships with any person or entity which had been identified in public sources as having party to or related to the BCCI scandal. That review was conducted under my supervision.

In order to undertake this task I had my then firm, Shea & Gould, prepare lists of the names of all persons and entities whose names have appeared in various and certain public sources as having

a relationship to the BCCI matter (Exhibit A). That list of names was then combined and alpha-sorted into a master list ("Master List"). (Exhibit B). The Master List was then given to TCI's independent outside auditors, KPMG Peat Marwick ("Peat Marwick"), whose assistance we requested, and a team composed of one Shea & Gould partner, two associates and a paralegal ("Team"). Peat Marwick used the Master List to do a computer screen of the financial transactions, apart from payroll and related activities, of TCI and the Related Companies[1] for the period 1980 through the end of 1991. In addition the Team made several trips to Denver and, with the assistance of the General Counsel's office, collected and reviewed all business agreements (including all investments, financing agreements, consulting arrangements, management contracts, etc.) ("Agreements") extant and entered into by TCI or any Related Companies with others for the same period. The purpose of the review was to see if either the named party to the Agreement or signatory to it or person or entity identified in it appeared on the Master List.

The result of this undertaking by both Peat Marwick and the Team surfaced no evidence that the TCI or the Related Companies had any business dealings with Capcom, BCCI or any currently identified related entity or person,[2] except that we found that UAE, in the latter part of 1988, invested in company known as American TeleCommunication Corporation ("ATC") which had Syed Zianddin Ali Akbar ("Akbar") on its Board of Directors (Exhibit C--Excerpt, SEC

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[1] Liberty became an operating company on March 28, 1991 when, pursuant to a contribution agreement it received its operating assets from certain TCI subsidiaries. Accordingly the financial transactions related to those assets were screened as part of the TCI financial review and no particular examination of them was made by Peat Marwick post March 28, 1991. The Team, however, examined the Agreements in Liberty's possession which relate to its operating assets.

[2] Though their names appear on the Master List, entities well known to have no BCCI connection such as American Express, Bank of New York, etc., were not considered to be BCCI related for the purposes of our review. In addition the Peat Marwick review surfaced two TCI vendor transactions with entities with "sound alike names", the Independence Bank and Capcom USA Inc. Both of these entities are unrelated to BCCI in that the Independence Bank was a Chicago based Illinois institution which has had no relationship with TCI since 1983 and Capcom USA Inc. was an electronic materials supplier from which a one time $700 purchase of LED Storm Kits was made.

Form 10K, 1988). That investment was closed out at a loss in September of 1990.

Once it was identified we made specific inquiry into this transaction. It revealed that at the time the investment was made, UAE had made and was carrying forward a strategic corporate decision to go into the rapidly developing private telephone business, particularly on the operator assist and switching side in which UAE had an interest. ATC had a particular switching technology (consisting of proprietary software and hardware) which was superior to any that UAE had or which was then available in the market. A relatively small investment of $2.5 million appeared to offer UAE the opportunity to achieve substantial cost savings in the operation of the various private telephone businesses they had and were acquiring and starting up. Accordingly, for this business reason, a decision was made to invest in ATC upon condition that ATC allow UAE to use their unique technology under a no cost license.

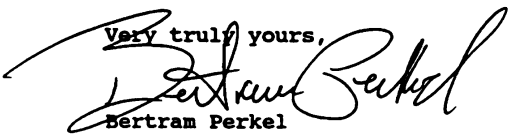
At the time the ATC investment was being considered and at the time the investment was made no TCI or UAE person or person associated with any other Related Company was aware that Akbar was on ATC's Board of Directors. UAE had no relationship with ATC except as a passive investor and licensee of the ATC technology. In 1990 as a result of and as a part of an overall UAE corporate decision to get out of the telephone business, the ATC investment, along with several other similar assets, was liquidated.

It is not without some degree of humor that we respond to a further question raised by your staff with regard to whether TCI had any investments in partnerships based in the Gulf states of the Middle East. The question surfaced because of an article in the Wall Street Journal of 1/27/92 which contained a chart indicating that TCI had a purported 11.1% interest in some unidentified "UAE Partnerships". While one can well understand that someone deeply immersed in the facts surrounding the BCCI scandal could quickly assume that "UAE" might mean the United Arab Emirates, in this case it means the "United Artists Entertainment Co., Inc".[3] When their

[3] Until the end of last year UAE was an independent public company in which TCI had a majority interest. During 1991 TCI bought out the minority public interest in UAE and merged it into a wholly-owned subsidiary of the same name.

business objectives coincided and could be best pursued together, both TCI and UAE, from time to time, entered into business relationships, alone and with others.

Very truly yours,



Bertram Perkel

cc: David McKean, Esq.
c/o Senator John Kerry
United States Senate

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June 29, 1992

Senator John Kerry
United States Senate
421 Russell Senate Office Building
Washington, D. C. 20510

Attn: David McKean, Esq.
Investigative Counsel

Dear Mr. McKean:

In response to your request, this letter will both confirm and supplement our February 11, 1992 letter to Senator Kerry which addressed the question of whether TCI or any Related Company (as defined in our February 11, 1992 letter) had any business dealings with Capcom Futures Inc. or any person or entity which has been identified as having a relationship to the BCCI scandal. In particular, you have currently asked us to confirm that the negative answer we gave to the Senator at that time was based upon a review of both the domestic TCI and Related Company activities and the activities of those companies in the United Kingdom.

When we spoke on the phone, I advised that our response to Senator Kerry was based upon a review of both the domestic and the United Kingdom business relationships of TCI and the Related Companies. However, since you expressed a special interest in the United Kingdom, I said that I would have this particular aspect of the matter reviewed again. That review was conducted by TCI and Related Company staff in the United Kingdom and has been sent directly to me. It shows that our original advise to Senator Kerry was correct and we can reconfirm that no person or entity publicly identified as having a BCCI relationship has done business with (banking or otherwise) TCI or a Related Company in the United Kingdom.

Very truly yours,

Bertram Perkel

BP:ps

WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT
DIRECTOR

November 14, 1984

Mr. Ziauddin Akbar
Bank of Credit & Commerce International
100 Leadenhall St.
London EC3A 3AD UK

Dear Mr. Akbar:

I am enclosing an analyst report on WTCI and a current news clipping from the Wall Street Journal. I thought you might be interested in the good performance of WTCI after it split off from TCI last April. As you know, Bob Magness is still the Chairman of WTCI and is the controlling shareholder. I am the Executive Vice President, Secretary and a Director of WTCI.

I was informed the other day by the TCI finance group that they are interested in obtaining a loan facility in Eurodollars directly from a U.K. lending institution. I asked Bob Magness if he was sincerely interested in such a facility and whether he would want to try to go direct to BCCI. He has asked me to determine whether there would be any interest on the part of BCCI. As you know, TCI has extremely good banking relationships in the United States, and through those relations, they are able to borrow Eurodollars taking advantage of periodic improved interest rates. The costs, however, of going through the U.S. institutions for Eurodollars are not attractive because the managing institution on the U.S. side marks up the facility in order to profit from it. I believe the credit facility that TCI is looking for is around $200,000,000. I believe TCI can assist in putting a group of banks together, if necessary, to fund the entire amount. If you are interested in investigating this further, I will be very happy to make the arrangements. If not, please do not feel an obligation to pursue it because Mr. Magness and I are very happy with our own personal relationships with you, your bank and other associates we have in the U.K.

As a separate matter, WTCI will soon be looking for approximately $50,000,000 to construct a new microwave route from Chicago to Dallas via Kansas City. Our principle customer for this route is a British company named Cable & Wireless. You may be familiar with them. I believe they have a very impressive financial statement and have proven to be an extremely stable and respected company. Their contract with WTCI will be for a term of 15 years with renewal options of an additional two 5-year periods. Their contract calls for an annual payment of $9,842,844 per year. Our operating costs of this system will be $1,652,000 per year. There are certain other favorable factors in our arrangement with Cable & Wireless in that we have inflation factors which will adjust their rate based on our cost of operations. As the cost of operation goes up due to increased salaries or increased repair parts, we can adjust their annual charge accordingly. In addition, WTCI will be in a position to add additional facilities in the same microwave stations for other customers at very high profit levels. WTCI will be looking for a $50,000,000 credit line secured by all of the

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A-04[illegible]

equipment, buildings, towers, etc. for this entire route. WTCI would also be willing to pledge their contracts with Cable & Wireless. We have several opportunities in the U.S. to obtain this credit line. My thought is, given the differential in current interest rates, there may be an opportunity to put this deal together with BCCI if you are interested. Again, let me stress that as far as Mr. Magness and I are concerned, you should feel no obligation whatsoever to pursue these loans. Your failure to do so certainly will not negatively affect our relationship with you or the bank.

Best personal regards,

Larry Romrell

/te

Enclosures

DRAFT AFFIDAVIT OF IAN GLENDINNING WATT

CAPCOM FINANCIAL SERVICES LIMITED
FUTURES ADVISORY SERVICES LIMITED

INTRODUCTION

I am a Fellow of the Institute of Chartered Accountants in England and Wales and a partner in the firm of Peat Marwick McLintock, 1 Puddle Dock, Blackfriars, London, EC4V 3PD.

On 27th October 1988, I and Michael Wheeler, a fellow partner, were appointed by the Securities and Investments Board ("SIB") under Sections 105 and 106 of the Financial Services Act 1986 ("FSA") to investigate the affairs of Capcom Financial Services Limited ("Capcom") and Futures Advisory Services Limited ("FAS") "in so far as they relate to any investment business which is or has been carrying on, or appears to be or have been carrying on". Copies of our authorities to investigate are attached as Exhibit 1. In this Affidavit, "we" refers to myself, Michael Wheeler and members of our staff or any of us.

In summary, the circumstances surrounding Capcom and FAS that have caused SIB to initiate this investigation are as follows:

- On 10th October 1988 Capcom and its former managing director, Mr. S.Z.A. Akbar ("Mr. Akbar"), were indicted in proceedings in the United States for allegedly participating in a scheme to launder the proceeds of illegal drugs transactions. The indictment alleges that the proceeds of these transactions were, in part, passed through Capcom's bank accounts and through client accounts in its accounting records.

- An initial investigation by enforcement staff from the Association of Futures Brokers and Dealers ("AFBD") indicated that certain accounts and accounting entries in Capcom's records were of a non-routine nature.

- Certain of the non-routine entries concerned accounts introduced to Capcom by another company, FAS. Mr. Akbar was a director of, and shareholder in, FAS.

- On 25th October 1988, AFBD wrote to Capcom freezing trading and cash movements on all accounts connected with Mr. Akbar and forbidding the appointment or re-appointment of Mr. Akbar as a director of Capcom without AFBD consent.

In the late afternoon of 27th October, the day of our appointment, I visited the offices of Capcom at 9-13 St. Andrew Street, London, EC4A 3AE, together with members of our staff, where we met Mr. John Parry, the one remaining director of Capcom at that time, and Mr. Paul Snow FCA, the company's secretary and chief accountant. At the same time, Mr. Wheeler, with a member of our staff, visited the offices of FAS at 107 Grays Inn Road, London, WC1X 8TZ, where they met Mrs. A. K. Puri, the one remaining director of FAS. Subsequently Mr. Wheeler and I, and members of our staff, have paid visits to the offices of both companies in the course of our enquiries. We have carried out a number of interviews, a list of which appears as Exhibit 2, and we have had discussions with other members of the staff at the companies. We have reviewed the accounting records and other information supplied by Capcom and FAS including copies of documents collected from Mr. Akbar's office at Capcom by HM Customs & Excise on 10th October 1988. Our enquiries were substantially completed by 22nd December 1988.

The information contained in this Affidavit is either within my own knowledge, or else has been derived from our independent enquiries, including our examination of the accounting records and other information supplied by Capcom and FAS, the interviews set out in Exhibit 2 and the discussions that we have had with members of staff of the companies.

HISTORY OF CAPCOM AND FAS

(a) Capcom

Capcom was formed in 1984. The first major capitalisation occurred in June 1984 when the share capital was increased from £2 to £1 million. The subscribers to that issue, and subsequent

movements in their holdings are set out in Exhibit 3. By means of further issues in October 1984 and June 1985, the paid up share capital has since been increased to £25 million.

The directors of Capcom since inception, together with their dates of appointment and resignation are set out in Exhibit 4. The initial directors appointed in May and June 1984 were the following:

Mr. A.K. Puri
Mr. L.E. Romrell (Chairman)
Mr. B. Magness
Sheikh A.R.H. Khalil
Mr. S.J. Saunders

Mr. Parry was appointed as a director in February 1985 and Mr. Akbar in February 1988. With the exception of Mr. Parry, all the directors have resigned at various times since their appointment. Mr. Romrell, Mr. Magness and Mr. Akbar have resigned since the indictment of Capcom and Mr. Akbar on 10th October 1988 on US drugs money laundering charges. On 16th November 1988, Mr. S. Serageldin and Mr. M.R. Stewart were appointed as directors, bringing the present strength of the board to three.

It appears that Mr. Akbar was the person primarily responsible for the creation of Capcom. At the time of its formation in 1984, he was an officer in the central treasury division of Bank of Credit and Commerce International ("BCCI") in London with responsibility for managing its investments. In this capacity, he placed large volumes of futures transactions with various brokers.

While at BCCI, Mr. Akbar identified the potential for setting up a separate company through which BCCI could place futures business, either for BCCI's own account or on behalf of its clients. Accordingly, Mr. Akbar decided to establish Capcom and arranged the raising of share capital from various individuals who were mostly long-standing acquaintances of himself as clients of BCCI.

To act as general manager of Capcom, Mr. Akbar recruited Mr. Puri, whose was wife working for Mr. Akbar at BCCI. At the time, Mr. Puri, who is a chartered accountant, was working for Notan Trading and Investment Limited, a company with which Mr. Akbar's brother, Mr. R. Akbar, was associated.

Subsequently, Mr. Puri recruited Mr. Parry from Conti Commodities Services Limited, a broker later acquired by REFCO. Mr. Puri principally took on responsibility for the financial and operational aspects of Capcom and Mr. Parry the marketing and trading aspects. Dealing staff and other employees with administrative responsibilities were recruited so that by the end of 1984, Capcom had approximately eight employees.

Although he was neither an original shareholder nor director of Capcom, it is clear to us that Mr. Akbar influenced much of Capcom's business and its strategic and operational decisions. Initially, Capcom's business was mainly obtained from BCCI. After business from BCCI ceased in October 1985, it was largely replaced by business from clients of FAS and Mr. Parry has told us that he became aware of Mr. Akbar's influence through daily contact with FAS. Mr. Akbar had the respect of the shareholders of Capcom (from whom he had arranged the financing of Capcom) and, according to Mr. Puri, they would respect and take his advice on matters concerning the company.

In July 1987, Mr. Akbar acquired a 24% shareholding in Capcom by purchases from other shareholders and became a non-executive director of Capcom in February 1988. Early in 1988, Mr. Puri indicated that he wished to leave Capcom in order to be able to take a greater interest in his family business in India. Mr. Akbar therefore took over from Mr. Puri as chief executive in May 1988. Mr. Puri resigned as a director in September 1988.

During our investigation, I have seen documents showing that Sheikh Khalil, an original director of Capcom, with a 33% shareholding, resigned as a director in February 1988 and sold his shareholding to Mr. Akbar, thus apparently giving Mr. Akbar a controlling interest in Capcom. I return later on in this Affidavit

to a consideration of these matters, where I express the concern that Mr. Akbar and his brother are between them in a position to exert significant influence over, and possibly own a controlling interest in, Capcom.

(b) FAS

FAS was formed in May 1985 when Mr. Akbar and Mrs. Puri each acquired 50 per cent of the issued share capital of £25,000. The share capital was increased in February 1987 to £100,000 by means of a bonus issue. Mr. Akbar and Mrs. Puri were appointed directors at inception. Mr. Akbar left BCCI in early 1986 to devote his attention full time to FAS and resigned as a director on 13th October 1988, leaving Mrs. Puri as the sole remaining director.

FAS was formed as a vehicle to introduce clients to Capcom and receive commission for transactions subsequently placed with Capcom. It was also intended to develop financial products and funds, but with the exception of its involvement in the creation of the Capital Fund (the "Fund") no significant products or funds have actually been launched.

In addition to Mr. Akbar and Mrs. Puri, FAS employed one further executive, Mr. S.J. Saunders, who was also a director of Capcom. Mr. Saunders concentrated on product development and analytical work and encouraged FAS to diversify. At his instigation, FAS purchased an office building at 107, Grays Inn Road which was subsequently sold in 1988.

(c) Capcom's business

Initially, Capcom's business was almost entirely in futures and options on the London and US exchanges. Early in 1985 however, Capcom began to offer to their clients a spot market dealing service in the foreign exchange and bullion markets; this has increasingly become a relatively more important source of business. Recently, up to 70 percent of Capcom's profits have derived from margin on spot trading as opposed to commission on futures and options or other sources of revenue.

Capcom also offers its clients facilities to deal in equities, and in government and other fixed interest securities and will arrange financing in the repurchase and reverse repurchase agreement market if necessary.

Capcom does not itself take positions in any of the instruments in which it deals. It acts as an agent, charging a commission on futures and options transactions and making a turn, representing commission, on transactions in foreign exchange and bullion.

In trading in the spot markets (foreign exchange and bullion), Capcom will offer two-way prices to its clients based on rates available in the market. On amounts greater than $2 million, client orders are backed with a firm quote in the market; lesser amounts are closed within minutes. Capcom will therefore maintain temporary open positions in small spot market transactions but, by matching client transactions in the market, will attempt to secure an almost risk-free turn on each transaction.

(d) Development of profitability

Capcom's brokerage and commission income (including margin on spot dealing) and profit before tax for the period from inception to 31st December 1984, the 10 months to 31st October 1985 and subsequent years to 31st October 1986, 1987 and 1988 are set out below. The draft figures for 1988 are based on management accounts supplied to us by Capcom on 5th December 1988.

	1984	1985	1986	1987	1988 (Draft)
	£million				
Brokerage and commission income	2.8	16.7	9.9	8.9	7.2
Profit before tax	0.9	2.8	7.0	3.1	4.2

Brokerage and commission income peaked in 1985, but was matched by high brokerage expenses which affected the level of profitability. In both 1986 and 1987, approximately £4 million of

net interest contributed to higher profitability levels, but in 1987 adverse currency movements on dollar denominated assets reduced profits by approximately £2.4 million. The draft profit before tax for 1988 is stated before any allowance is made for the possible non-recovery of certain client debit balances referred to later.

(e) Capcom Futures Inc

At the end of 1985, in response to the levels of futures business being placed on the Chicago exchanges, Capcom set up Capcom Futures Inc ("CFI") in Chicago. From its formation until June 1987, CFI was 82% owned by Capcom. The shareholding structure was altered in June 1987 because the Chicago Board of Trade sought personal guarantees from Capcom's shareholders covering the obligations of CFI. We have been informed that the Middle Eastern shareholders in Capcom were unwilling to provide such guarantees and thus the shareholding in CFI was re-structured.

After the re-structuring, Capcom's holding in CFI was reduced to 4%; the remaining shares are held by the other Capcom shareholders, Mr. M. Saghir, the President of CFI, and Zask Investments and Trading Limited ("Zask"), a company that Mr. Akbar has told us he beneficially owns. A list of CFI's current shareholders is shown in Exhibit 5 and details of the financial implications of the re-structuring are referred to subsequently in this Affidavit.

(f) Brenchase Limited

Capcom has a wholly owned subsidiary, Brenchase Limited ("Brenchase"). Brenchase acts as a conduit for the receipt of funds by Capcom; in some cases, clients will remit their funds to Brenchase which will in turn remit them to Capcom. This is done apparently to preserve anonymity of the ultimate recipient in the international banking system. Brenchase otherwise appears to be dormant.

FINANCIAL POSITION

(a) Capcom

The summarised draft balance sheet of Capcom at 31st October 1988 based on draft figures provided by Capcom on 5th December 1988 is as follows:

	£million
Fixed assets	
Tangible assets	0.2
Other investments	7.4
Investment in subsidiaries	0.3
	7.9
Current assets	
Trade debtors	13.5
Other debtors	1.6
Investments	16.6
Cash at bank and in hand	30.2
	61.9
Creditors: Amounts falling due within one year	
Trade creditors	25.6
Bank overdraft	5.1
Other creditors	3.8
	34.5
Net current assets	27.4
Total assets less current liabilities	35.3
Creditors: Amounts falling due after one year	
Provision for deferred tax	(0.3)
	35.0
Share capital and reserves	
Called up share capital	25.0
Profit and loss account	10.0
	35.0

Other investments

Other investments comprise the following:

	fmillion
Subordinated loan to CFI	7.1
Shares in CFI	0.1
Other	0.2
	7.4

The subordinated loan to CFI represents a $12.5 million loan translated at the closing rate of $1.75 = £1. The loan is repayable on 31st May 1992 and bears interest of one per cent over LIBOR. Repayment is subordinated to the claims of all present and future creditors of CFI and the loan is unsecured.

Investment in subsidiaries

The investment in subsidiaries comprises Capcom's interest in Brenchase.

Trade debtors

Trade debtors comprise the following:

	fmillion
Due from clients	12.6
Due from brokers	0.9
	13.5

Included within amounts due from clients are the following unsecured client balances:

Code	Name	£million
GESS	General Securities	3.2
GOOD	El Rayan Trading Company ("El Rayan")	4.2
PERV	Mr. Pervez Shahid	4.2
-	Others	0.3
		11.9

The above accounts and certain transactions within them are discussed in more detail later. Capcom regards these debts as unsecured and has been unable to present us with any proof that the debit balances outstanding at 31st October 1988 are collectible. Trading on the GESS, GOOD and PERV accounts has ceased and no significant recovery of the outstanding debts has been made since 31st October. By means of a board minute passed on 14th March 1988 the GOOD account was granted a credit limit of $5 million (approximately £2.9 million) and by a similar minute on 26th September 1988, the GESS account a credit limit of $6 million (approximately £3.4 million) and the PERV account a credit limit of $2 million (approximately £1.1 million); these credit limits have been exceeded.

Mr. Parry has informed us that, based on prior performance, he considers that the debit balances on both the GESS and the PERV accounts will prove to be collectible. He thinks it unlikely that the balance on the GOOD account will be recovered.

Amounts due from brokers represent outstanding amounts due in respect of futures, options, foreign exchange and securities trading. The amounts are shown net by counterparty. Also included is £161,000 in respect of net amounts owed by several brokers for repurchase and matching reverse repurchase agreements entered into on behalf of the GESS account. These amounts have matured since 31st October 1988.

Other debtors

Other debtors principally comprise an amount of f1.1 million due from the shareholders in CFI following the restructuring of the shareholding arrangements in June 1987. The amount owing is discussed further later in this Affidavit and is due from the following individuals:

	$000
Mr. L.E. Romrell	400
Mr. B. Magness	100
Mr. Puri	250
Mr. Akbar	700
Mr. R. Powell	250
Mr. M. Saghir	250
	1,950
	£000
At $1.75 = f1 approximately	1,100

Investments

At 31st October 1988 the company held certificates of deposit with a purchase cost of f16,071,000. Of this f14,042,000 matures within one year. The CD's are held at banks and those maturing within one year are used as security for the facilities granted by those banks.

Cash at bank and in hand

Capcom has large reserves of cash, primarily due to the monies lodged by Capcom Bankers Limited ("Capcom Bankers") and another client, Creighton International Limited. These balances are discussed under trade creditors below.

Also included within cash is an amount of £924,000 described in Capcom's records as "term deposits". This relates to a 6 million UAE Dirhams loan made to the following companies in order to enable them to invest in National Investment and Securities Corporation ("NISCORP"):

	Amount UAE Dirhams million
Gulf Trading Company ("GTC")	2
Multigems Limited ("Multigems")	2
Sagan International Limited ("Sagan")	1
Al Sayegh brothers	1
	6

GTC and Multigems are Vanuatu registered companies and Sagan is a Liberian registered company. We have seen documentation which indicates that the shares are held by trust corporations for unspecified beneficial owners. One of the Al Sayegh brothers, Mr. Jabbar Al Sayegh, is the Chief Executive of NISCORP.

We have received broadly similar explanations for the nature of the arrangements contained in these loans from Messrs. Akbar, Puri and Parry:

- NISCORP is a newly formed investment company to which many affluent individuals in the UAE have subscribed. Capcom thought it desirable to contribute to the formation of the company in order to generate brokerage business from future transactions.

- Capcom contacted Mr. Al Sayegh and offered to contribute capital. Mr. Al Sayegh thought it best for Capcom not to contribute such capital directly, as disclosure of a direct shareholding might have had adverse consequences for NISCORP.

- Capcom thus organised the formation of GTC, Multigems and Sagan as vehicles through which to make its investment.

These companies were specifically not set up as subsidiaries in order to avoid the necessity to consolidate them and thus disclose the interest in NISCORP. Additionally, a loan was made directly to the Al Sayegh brothers so that they could invest in their own names.

- All the loans have been made under arrangements which give Capcom an option at some future date to acquire directly the shares in NISCORP purchased with the loans, thus transforming the arrangement into a direct investment.

We have not been provided with any documentation to corroborate the above explanations or to identify the true beneficial ownership of GTC, Multigems and Sagan.

Trade creditors

Trade creditors comprise the following:

	£million
Due to clients	25.4
Others	0.2
	25.6

The major balances due to clients are:

Code	Name	£million
CCBK	Capcom Bankers	10.1
CRAY	Creighton International Corporation	8.6
FIBE	Faisal Islamic Bank of Egypt	1.1
FUND	The Fund	3.1
	Others	2.5
		25.4

Capcom Bankers is a Vanuatu registered company, the registered office of which is a trust corporation. It is also a Vanuatu registered offshore bank. Messrs. Puri, Parry and Akbar have again given broadly similar explanations of its activities and constitution:

- Capcom established Capcom Bankers around July 1987 as an offshore registered bank which would take deposits from Egyptian registered banks and place them on deposit at competitive rates.

- It is beneficially owned by Messrs. Akbar and Puri. The directors are Messrs. Parry and Puri.

- The mechanics of the deposit taking activity are that Capcom Bankers takes the deposits and places them in turn with Capcom which in turn places them in the money market. The result is that Capcom has cash offset by a liability to Capcom Bankers and Capcom Bankers has an asset represented by the loan to Capcom offset by a liability to the Egyptian bank.

From our investigation, it appears that the cash is actually deposited by the Egyptian bank directly with Capcom and that Capcom directly places the funds in the money market. The offsetting liability is booked to Capcom Bankers. According to Mr. Puri, Capcom Bankers has no accounting records, and so it is not possible to examine the entries in that company's records. We have not been provided with any documentation which would enable us to confirm the beneficial ownership of Capcom Bankers, nor to support the nature of the arrangements between Capcom and Capcom Bankers.

According to Capcom the two Egyptian banks principally involved in placing money with Capcom Bankers are Faisal Islamic Bank of Egypt and the Alexandria Commercial and Maritime Bank ("ACMB"). At 31st October 1988, the entire £10.1 million was deposited by ACMB; in turn this sum had been deposited by Capcom with Manufacturers Hanover Trust Company ("Manufacturers Hanover").

A letter on Capcom's letterhead was sent to Mr. Fahmy (the Vice President of ACMB) explaining that the treasury management of funds placed with Capcom for investment purposes will be centralised under Capcom Bankers. The letter also states that:

- Capcom Bankers is a member of the Capcom group of companies.

- All confirmations of deposits placed will be printed on Capcom Bankers notepaper.

- All dealings with Capcom Bankers are fully and irrevocably guaranteed by Capcom.

- All confirmations will bear a guarantee certificate issued by Capcom.

Contrary to the terms set out in the letter, we have been informed that, although a standard form confirmation has been drawn up, no confirmations from Capcom Bankers or guarantee certificates by Capcom have ever been issued.

The explanations that we have received about Capcom Bankers are confusing and I consider that further investigation will be needed to establish:

- Why an established Egyptian bank might wish to deposit funds with Capcom Bankers rather than directly with Manufacturers Hanover at the same or better rates of interest.

- Whether there are any other undisclosed liabilities of Capcom Bankers that have been guaranteed by Capcom.

- Whether Capcom was within the terms of the Banking Act 1986 in its operation of these facilities for customers.

The CRAY account has recently been introduced to Capcom by Mr. Serageldin, a recently appointed director of Capcom. According to Mr. Parry, the beneficial owner of the account is Dr. Attia, an

Egyptian resident individual. At 31st October 1988 he had deposited £8.6 million with Capcom for trading purposes, although as at that date, no trading had actually been carried out. The account has subsequently commenced trading.

Shareholders

I have stated earlier that I have seen documents stating that Sheikh Khalil resigned as a director in February 1988 and disposed of his 33% shareholding in Capcom to Mr. Akbar. Although Mr. Akbar and Mr. Puri both claim that this information was made known to others in Capcom soon thereafter, the relevant documents were not provided to the company secretary, Mr. Snow, until 9th September 1988. Mr. Parry has told us that he was unaware of Sheikh Khalil's resignation until September 1988 but knew that Sheikh Khalil had been considering his position.

Sheikh Khalil's letter of resignation as a director was contained in a bundle of papers given by Mr. Akbar to Mr. Snow on 9th September 1988. In the same bundle was a letter from Sheikh Khalil to Mr. Mohammed Saghir, president of Capcom Futures Inc., a former subsidiary of Capcom, informing Mr. Saghir that he had disposed of his shares in Capcom. The significance of this letter was apparently realised by Mr. Parry and Capcom only during the course of our investigation. On 29th November 1988, copies of some papers taken by HM Customs & Excise on 10th October 1988 were returned to Capcom; these showed that Sheikh Khalil had sold all his shares to Mr. Akbar for a consideration of £4 million. A copy of the sale agreement is attached as Exhibit 6. Although the sale agreement specifies that the consideration for the sale was £4 million, Mr. Akbar has told us that the sale was effected at par, i.e. £8.25 million, and that the balance of the par value of the shares, £4.25 million, was discharged by the cancellation of debt owed by Sheikh Khalil to General Securities Corporation ("General Securities") which maintains a client account with Capcom known as the GESS account.

On the same day that Sheikh Khalil disposed of his shares, we found that a payment of £4 million was made to him by Capcom from the GESS account, an account over which Mr. Akbar has a Power of

Attorney and with which his brother, Mr. R. Akbar is connected. Mr. Akbar has explained that this payment was in respect of the purchase of Sheikh Khalil's shares, which were purchased by GESS pending the finding of a replacement shareholder. The details of this transaction appear to have been unknown to anyone at Capcom other than Mr. Akbar.

Mr. Akbar is unclear on the subject of the beneficial ownership of the shares acquired from Sheikh Khalil. He told us that the voting rights are still exercisable by Sheikh Khalil as the latter remains the registered holder. Sheikh Khalil has, however, informed us that he has sold his shares in Capcom and makes no reference to a continued ability to exercise voting rights. Although Mr. Akbar is a signatory to the agreement for the sale of Sheikh Khalil's shares he has told us that blank share transfer forms signed by Sheikh Khalil are held as security by his brother on behalf of General Securities, but that these are merely being held until a purchaser can be found for the shares.

We have not seen any documentation relating to the arrangements between Mr. Akbar and General Securities regarding the loan to purchase Sheikh Khalil's shares, and cannot therefore determine where the beneficial ownership of these shares rests. However, from the explanations that we have received, it rests either with Mr. Akbar or General Securities, a company connected with his brother and on whose behalf Mr. Akbar has a Power of Attorney.

The payment of £4 million from GESS to Sheikh Khalil was made at a time when the account had a debit balance. It appears therefore that Capcom may have provided financial assistance for the purchase of its own shares. The nature of the transaction will need careful consideration to determine whether there has been a breach of Section 151 of the Companies Act 1985.

With regard to Mr. Puri's shareholding in Capcom, Mr. Puri has explained that finance for the major part of the acquisition of his 14% shareholding was arranged by Mr. Akbar's brother. Mr. Puri has explained that at one stage consideration was given to him providing security for this loan. He signed a blank share transfer form but has told us that this was later destroyed as such security was not required. A copy of such a blank transfer signed by Mr. Puri was

included in the bundle of papers returned by HM Customs & Excise on 29th November, but we have not seen the original of this document. Mr. Puri is adamant that he is the beneficial owner of his shares.

Capcom's shareholding arrangements can therefore be summarised as follows:

	%
Mr. Akbar	24.00
Mr. Puri financed by Mr. Akbar's brother	14.48
Mr. Akbar or General Securities	33.00
	71.48
Others	28.52
	100.00

We have not investigated the beneficial ownership of the other shareholdings in Capcom but from information provided by Mr. Snow, it appears that there has been some discord among the Saudi Arabian shareholders. Thus, there is no certainty that there have not been other share transfers of which Capcom is unaware. Nevertheless, from the explanations that we have received, it is clear that between them, Mr. Akbar and his brother are in a position to exert significant influence over, and possible ownership of, at least 71.48% of Capcom's shares.

[Arrangements to dispose of Akbar's shares.]

(b) FAS

The summarised balance sheet of FAS, based on its AFBD return at 30th September 1988, is set out below:

	£'000
Tangible fixed assets	58
Current Assets	
Debtors	64
Investments	158
Cash at bank and in hand	138
	360

Creditors: amounts falling due within one year	
Trade creditors	(55)
Other creditors	(117)
	(172)
Net current assets	188
Net assets	246
Capital and reserves	
Called up share capital	100
Profit and loss account	146
	246

The only feature of FAS's balance sheet of particular note is the amount of £158,000 shown as current asset investments. This represents an investment in 177,102 shares of American Telecommunications Corporation ("ATC"), which were obtained on conversion of a loan to ATC of $265,653. ATC is a Texas based telecommunications company which is quoted on NASDAQ. Mr. Akbar is a director of ATC.

CAPCOM'S CLIENT BASE

Capcom has prepared a report, dated 2nd December 1988, to SIB and AFBD concerning its affairs ("the Capcom Report to SIB"). This provides an overview of Capcom's client base. There are currently 132 clients, represented by 183 dealing accounts. Each of these accounts trades under a distinct code name.

Eight of those accounts which appear in some way to have been associated with Mr. Akbar are listed in Exhibit 7. This Exhibit also provides some information on the date the account was opened, type of investor and other details. A number of these accounts have generated a significant amount of revenue for Capcom. An analysis of these revenues for the year ended 31st October 1988 is set out in Exhibit 8.

As shown by the revenue analysis set out in Exhibit 8, four clients associated with Mr Akbar were responsible for in excess of 77 per cent of Capcom's revenue for the year ended 31st October 1988. Significant volumes of business have passed through these accounts. I now give details of these and other accounts which have been significant to Capcom's profitability in the past, indicating how they were introduced to Capcom and their association with Mr. Akbar. Details of certain transactions passing through these accounts are then given later on in the Affidavit.

(a) GESS

The GESS account was introduced to Capcom by FAS. General Securities Corporation, the company behind GESS, is Panamanian registered. FAS has been given a Power of Attorney by GESS to operate this account. Mr. Akbar believes that he personally has been given a separate Power of Attorney but we have seen no evidence of this. The Power of Attorney to FAS has been granted by Me. Cecile Ringgenberg, a Geneva lawyer who acts, according to Mr. Akbar, as both solicitor to and a director of GESS.

In respect of dealings on the GESS account, Mr. Akbar has told us that he takes instructions from two individuals, Mr. R. Akbar, his brother, and Mr. Sohail Khan, a management consultant. Both are

resident in the Middle East. No one to whom we have spoken claims to know the beneficial owners of the GESS account, although Ms. Cecile Ringgenberg has indicated that she will disclose further information to the appropriate authority.

Mr. Akbar gave most of the dealing instructions to Capcom on this account, although Mrs. Puri may also have given some instructions to Capcom's dealers. According to Mr. Parry, they did not deal according to any apparent strategy. Mr. Parry describes both Mr. Akbar and Mrs. Puri as "seat of the pants traders"; that is, they are prepared to take significant risks. GESS have been extremely active in futures and options on futures, and latterly undertook a significant number of deals in foreign exchange. Mr. Parry believes the account lost money though, according to Mr. Akbar, those connected with the GESS account had previously made significant profits in their dealings through Capcom.

Among various papers in Mr. Akbar's desk was a schedule indicating that an account with the code name ARKY earned profits of $53 million between October 1984 and September 1985. Mr. Akbar has confirmed that ARKY is connected with the owners of GESS.

(b) TWOY

The TWOY and TWOY 2 accounts are both controlled by Mr. Akbar's brother, Mr. R. Akbar. The beneficial owners are not known although there is an inference from Mr. Akbar that the beneficial owners are the same as, or are connected with, the beneficial owners of the GESS account. Mr. Akbar possessed a Power of Attorney over both TWOY accounts and he gave most of the dealing instructions. Mr. Parry believes that Mrs. Puri has also given orders on this account despite the fact that the Power of Attorney does not extend to her. The account has been extremely active, dealing in futures, options on futures and foreign exchange. Trading ceased in May 1988. Overall, according to Mr. Parry, these accounts have been loss making.

(c) PERV

Mr. Akbar introduced the PERV account to Capcom. It is principally managed by a Mr. Pervez Shahid, who acts as a trading adviser. Mr. Shahid is assisted by Shamsuz Zaman, Mr. V.R. Khan and Mr. M.R. Shah.

According to Mr. Akbar, the account is owned by the Chairman of El Rayan, Mr. Ahmed Abdullah Al Fathi-Al-Tawfik ("Al Fathi Tawfik") who has recently died. Mr. Shahid's management arrangement apparently gives him 50 percent of profits, with the other 50 per cent being retained by Al Fathi Tawfik. All losses on a net basis were assumed by Al Fathi Tawfik. Both Messrs. Puri and Parry, however, believe that Mr. Shahid is the beneficial owner of the account and have told us that they are not aware of the involvement of anyone else with the account.

Mr. Akbar was unsure whether he or FAS possessed a Power of Attorney over the account. Mr. Parry believes that it was FAS who possessed this Power of Attorney but Mrs. Puri was unable to confirm whether this was the case, stating that the account was not connected with FAS. She was, however, aware that the account was controlled by Mr. Shahid. We have not seen any Power of Attorney in respect of the PERV account.

The PERV account has been extremely active, dealing in futures, options on futures and foreign exchange. According to Mr. Parry, the account has lost money.

(d) GOOD

The owner of account GOOD is El Rayan, an Islamic investment company based in Cairo. This company is one of the largest in Egypt being involved in import and export and real estate, as well as managing investment funds. According to a "Euromoney" article in February 1988, El Rayan was the largest Islamic investment company with 150,000 depositors totalling Ef2.0 billion (£500 million). El Rayan ceased to deal with Capcom in September 1988 due to regulatory restrictions imposed by the Egyptian authorities, who subsequently closed El Rayan in November 1988.

El Rayan is run by three Tawfik brothers. Ahmed Tawfik manages the GOOD account and is Capcom's principal contact, although Al Fathi Tawfik was also named as a dealing authority on the account opening form.

The account was opened at Capcom in April 1987 after two and a half years of marketing effort. Mr. Parry and Mr. Puri made the original contact with El Rayan but were not well received as El Rayan was already dealing with other large institutions. Mr. G.R. Khan also made efforts to secure business from El Rayan. The account was finally gained with the assistance of Mr. Akbar whose brother also helped in persuading El Rayan to deal with Capcom.

Once the account had been opened it traded significantly with Capcom, and has been by far Capcom's most profitable account in 1988. According to Mr. Parry, the account would deal on a purely speculative basis; positions taken were generally not hedged and any advice offered by Capcom's dealers on dealing strategy or market conditions was generally ignored. Overall the account, according to Mr. Parry, had performed "extremely badly" and he estimates that it may have lost up to $90 million.

(e) FUND

The Capital Fund ("the Fund"), which is coded account FUND in Capcom's books, was set up in 1985. The concept for the Fund came from Mr. Parry, Mr. Puri and Mrs. Puri. Mr. Puri was principally involved in organising its constitution and setting it up. The idea of the Fund was based on the belief that by pooling individual interests into one large fund (minimum subscription being $50,000), portfolios would be easier to manage. Capcom also saw the opportunity of increasing its brokerage income.

A copy of the Capital Fund prospectus states that the Fund was set up with the objective to "realise a growth rate in net assets per share from investments in futures, options, metals, currencies, bonds, stocks and cash instruments". Persons resident or ordinarily resident in the UK or US for tax purposes were not entitled to invest in the Fund for regulatory reasons.

Mr. Kerry Fox is the director of the Fund. The fund manager is Capital Management Services Limited ("CMS") which is responsible for its general management and administration. The ownership of CMS is not known, though Mr. Akbar believes either Mr. Kerry Fox or Dr. Pucher, a solicitor based in Liechtenstein, is a director of CMS. The administrative office of CMS is based in Muscat, Oman. The investment adviser to the Fund is FAS.

Exhibit 9 lists the investors in the Fund. A majority of these investors come from the Gulf with the rest originating from the Indian subcontinent. Most of the investors have subscribed to the Fund on Mr. Akbar's advice.

Mr. Akbar has stated that dealing instructions on behalf of the Fund would have been given by telex from CMS in Oman and that instructions would not have been received from FAS as it only acted as advisers to the Fund. He told us he does not know the person in Oman giving instructions.

The explanation provided by Mr. Akbar of how dealing instructions for the Fund were received by Capcom conflicts with that given by Mr. Parry and Capcom's dealers, who have told us that dealing instructions were received either from Mr. Akbar or Mrs. Puri and not by telex from CMS. We have not found any dealing instructions telexed by CMS to Capcom.

The Fund has not been as profitable as had originally been envisaged and we are informed that its activities are being wound down following repayment to some investors.

(f) ZITS

The ZITS account is owned by Zask, a Leichtenstein registered company which Mr. Akbar has informed us he beneficially owns. Zask has an administrative office in Muscat, Oman. Capcom's client records show that a Power of Attorney has been granted to Mr. Akbar to operate the account. Mr. Parry and Capcom's dealers have confirmed that they were accustomed to act on Mr. Akbar's instructions on the account and that they understood him to be the beneficial owner of the company.

ARTIFICIAL PROFITS

(a) Background

Soon after the start of our investigation, we were informed by Capcom that certain transactions had been identified as having created artificial profits or losses on client accounts. Originally a figure of $800,000 was put forward as an estimate of the profit made by account FUND at the expense of account GESS. We investigated this matter and found further evidence of transactions involving both these two accounts and also accounts ZITS, GOOD, PERV and other smaller accounts.

Capcom, with the assistance of both Coopers & Lybrand and D.J. Freeman, has undertaken a detailed investigation into these transactions. In the Capcom Report to SIB, it was stated that the original estimate of $800,000 switched between GESS and FUND had risen to $2,600,322. In addition to those transfers which we have identified, Capcom identified similar transactions whereby FUND benefitted at the expense of other client accounts. The sums involved in these instances, however, are much smaller than those on GESS and total $734,158. In total, 16 other accounts are involved with the principal transfers involving accounts ZITS 2, PERV and GOOD. In almost every case FUND was the counterparty to which profits were switched.

All these artificial transactions have involved either a foreign exchange or bullion deal. Normally, such a transaction undertaken on behalf of a client would be executed with a market counterparty as Capcom acts only as agent for all transactions whether dealing in foreign exchange, futures or bullion. However, for the "matched" or "back to back" transactions identified, rather than transacting a client order with a market counterparty, the transaction was booked with another Capcom client, thus matching it internally. The exact nature of these transactions would involve, for example, one client simultaneously both buying and selling sterling for dollars, with another client taking an equal but opposite position. In all, save a number of insignificant cases, the client account in which profit was created was FUND.

From the explanations we have received, these "back to back" transactions can be split into three categories: transactions between GESS, ZITS and FUND, those between GOOD, PERV and FUND and those involving other less important accounts. This last category is not considered further due to its relatively immaterial size. We have made a distinction between the first two types of transactions as our interviews with Mr. Akbar and Capcom's dealers have revealed conflicting explanations for the first two types of transactions.

(b) GESS, ZITS and FUND transactions

"Back to back" transactions between either GESS or ZITS and FUND were all performed upon Mr. Akbar's instruction. There were 14 "back to back" transactions involving GESS and only one involving ZITS. Capcom's dealers have confirmed that Mr. Akbar would contact them, requesting details of the day's spread in, for example, the sterling/dollar exchange rate. He would then instruct the dealer to record a purchase at the top of the market spread and simultaneously record a sale at the bottom for GESS, or on one occasion, ZITS; the opposite side of the transaction was then booked to FUND. According to the time stamp on each of the deal slips each transaction was completed either precisely at the same time or within one minute of each other. Often this time was identical on all the deal slips for one transaction. Copies of the relevant deal slips for a typical GESS/FUND and ZITS/FUND transaction are attached as Exhibit 10.

The outcome of these transactions was for FUND to profit at the expense of either GESS or ZITS. Apart from one transaction, which produced $1,500 commission, Capcom did not make a turn on these transactions as it would normally do with all bona fide foreign exchange and bullion transactions undertaken on behalf of clients. The total profit made by FUND was $2,763,000. GESS lost $2,614,500 and ZITS 2 lost $150,000. Exhibit 11 summarises all the GESS, ZITS and FUND "back to back" transactions.

The dealers explained to us that they did not question Mr. Akbar's instructions on these transactions as they understood that he held a Power of Attorney for both GESS and FUND, while ZITS, they believed, was his own personal account. Mr. Akbar in fact held no

Power of Attorney over FUND, and the fact that the dealers believed he did indicates that they were accustomed to carry out his instructions on the account.

Mr. Akbar has explained to us the purpose of these transactions as follows:

- The Fund was launched in 1985; it had been set up offshore and had attracted funds from a number of Mr. Akbar's contacts and personal friends.

- In attracting these funds he had "guaranteed" a rate of return of about market interest rate plus 1% or 2%.

- Since its launch the Fund had not achieved this level of return, and he felt obliged to improve the performance. Thus he admitted that, "in order to save face", he created artificial transactions which resulted in a switch of profits from both GESS and ZITS to FUND.

switch of profits

- The transactions involving GESS were carried out with prior approval. This involved discussing the matter with his contacts at GESS, his brother and Mr. Sohail Khan.

- Those involved with GESS were prepared to approve these transactions "as a favour" and on the basis that Mr. Akbar had in the past earned them significant profits. He was, however, to compensate GESS in due course for the loss arising from these transactions.

- The losses were to be repaid by either making profits from future dealings or, if this was not possible, by the sale of his shares in Capcom for the benefit of GESS

- He had the authority to book a profit switch using ZITS as he was the beneficial owner of this account.

Capcom's dealers have provided explanations which in broad terms agree with Mr. Akbar's explanation of the GESS, ZITS and FUND "back to back" transactions.

(c) GOOD, PERV and FUND transactions

Explanations received for the transactions between GOOD or PERV and FUND which appear to be similar "back to back" transactions have been conflicting.

Our investigation suggests that the structure of these deals is very similar to the GESS, ZITS and FUND "back to back" transactions. Of the three deals identified involving GOOD or PERV, two of them, (one each to GOOD and PERV) were in bullion and according to the time stamp on the deal slips, were undertaken at the same time. The third transaction, between FUND and GOOD, was in foreign exchange and was closed approximately two hours after the opening transaction had been executed. The result of all these transactions has been for FUND to profit by $235,000 while GOOD and PERV have lost $137,700 and $100,000 respectively.

For the two GOOD, PERV and FUND "back to back" transactions in bullion, no turn was made by Capcom. Capcom would normally expect to make a small turn on all bullion transactions. In respect of the GOOD/FUND "back to back" transaction in foreign exchange, Capcom made a turn of $2,700. Details of all these transactions are also set out in Exhibit 11, while the relevant deal slips are attached as Exhibit 12.

Mr. Akbar's explanation of these transactions was as follows:

- They were simply coincidence; one of the parties wanted to buy while the other wanted to sell at the same time. As a result the trade would have been matched internally.

- In the case of GOOD, he believed that, for credit control purposes, Capcom did not allow the account to keep a position overnight and thus closed any open positions at the end of the day. As GOOD had to close its position, the opposite position in FUND would also be closed in order to square Capcom's position in foreign exchange or bullion.

- He denied that these transactions were similar in nature to those involving GESS, ZITS or FUND as he did not possess a Power of Attorney over GOOD.

- For the PERV gold bullion transaction, the loss locked in on PERV resulted from a "stop loss" dealing instruction. When PERV opened the position, instructions would be given that if the price of gold were to fall below a certain level, Capcom was to close it out to restrict the loss. He believed that it was pure coincidence that FUND took the opposing side of the transaction.

Capcom's chief dealer executed both the GOOD/FUND and PERV/FUND gold bullion transactions. His explanations are similar for both transactions and were as follows:

- PERV or GOOD had contacted him at Capcom to deal in gold bullion. At the same time, he had contacted FUND (Mrs. Puri at FAS) and asked it whether it wanted to assume the opposite side of the transaction. In both these instances Mrs. Puri agreed on behalf of FUND.

- In the case of the PERV transaction he was not permitted to hold overnight positions as the account did not possess sufficient funds to meet margin requirements on any losses. As a result, trades being executed by PERV were closed out at the end of the day, if not earlier.

- A similar situation arose for the GOOD transaction.

- The reason for the time stamp on all the deal tickets for these two transactions being the same was that, for those trades not done with a market counterparty, he would not be worried about time stamping the ticket. If he was busy he would record the trade on a piece of paper when it was executed and complete the deal tickets when he had some time later in the day. This would normally be at the end of the day.

The second of the transactions involving GOOD/FUND was executed by another dealer and involved a sterling/dollar trade rather than gold bullion. Her explanation of this transaction was as follows:

- GOOD wanted to buy dollars, FUND was wanting to sell. The time stamp on the deal was 9.07am. The transaction was closed at 11.03am. Both these transactions were done at market rates.

- It was quite normal for a client to buy and sell during the day.

This explanation supports that of the chief dealer, whereby they claim that the apparent "back to back" deals involving GOOD, PERV and FUND are "bona fide" deals done at market rates.

Mr. Parry when interviewed on 20th December 1988 believed that profit switching transactions involving accounts GESS, ZITS, PERV, GOOD and FUND were all similar in nature. He had not considered that there was any distinction between those profit switching transactions between GESS, ZITS and FUND and those between PERV, GOOD and FUND. Coopers and Lybrand, however, had yet to produce a final report on these transactions and he had no knowledge of their current findings.

(d) Capcom's action

In the Capcom Report to SIB all these transactions have been considered together and no distinction has been drawn between them. As a result, the directors of Capcom have proposed the creation of a reserve of $3,334,480 representing their estimate of the value of the profit switches identified to date. This sum will be used to reimburse the accounts concerned if proved necessary by the circularisation by Capcom of those clients involved.

The directors have also issued a memorandum to all employees, instructing them that "back to back" transfers should not be conducted in the future, that all transactions should be executed on the appropriate exchange and that disciplinary action will be taken if these instructions are broken.

Capcom are also to write to all clients involved confirming their current ledger balance. For those clients that suffered losses as a result of these transactions, Capcom are proposing to set out in these letters the facts surrounding the transactions.

[Subsequent letter report.]

(e) Summary

We have been told by Mr. Akbar that the profit switching transactions involving GESS, ZITS and FUND were authorised by the relevant authorities behind GESS and ZITS. It seems to us that this type of artificial transaction is not contemplated by the detailed provisions of the AFBD rules, although, in our opinion, they are contrary to the objective and spirit of those rules. In respect of the transactions involving GOOD, PERV and FUND we have been informed that these were carried out in accordance with instructions from authorities at GOOD and PERV and at prevailing market rates. However, the two transactions of this type executed by the chief dealer clearly breach AFBD rules as they were not recorded in the required manner.

Mr. Akbar has admitted that the artificial transactions recorded as creating profits for the Fund at the expense of GESS and ZITS were a face saving exercise. That Mr. Akbar was able successfully to instruct the dealers to record these deals is an indication of the measure of his power in Capcom.

TWOY LOSSES

(a) Background

In the period from December 1986 to March 1987, TWOY sold a significant number of contracts in the Standard and Poors 500 Index ("S&P 500") Futures, March 1987 series. A majority of these contracts were closed out in early March 1987. Over this period the US stock market rose in value resulting in a significant number of these contracts losing money; the total realised loss was approximately $31 million.

All these contracts were placed with CFI. We have been told by Mr. Parry that these trades would have been executed on the futures market in Chicago but, as our investigation has not extended to CFI, we have been unable to confirm this.

These contracts were subject to the Chicago exchange's margin requirements. During the period TWOY did not provide any funds by way of margin and as a result a large debit balance was allowed to accumulate on the account. Margin calls were therefore met from Capcom's own resources.

Mr. Parry's explanation of this transaction was as follows:

- The outstanding debit balance did give Capcom some cause for concern. At the time Capcom's share capital and reserves would have been approximately $60 million and therefore the loss could be financed by Capcom and, if necessary, absorbed, should TWOY fail to pay the outstanding balance.

- Mr. Akbar's brother, as the apparent owner of the TWOY account, was permitted to run up a debit balance of this size as his past performance in meeting liabilities was good. Although Mr. Akbar's brother was thought to be a man of some substance, Mr. Parry believed he was probably not able to sustain the loss personally and was thus probably operating on behalf of others. Mr. Akbar's brother also had introduced a number of clients to Capcom and was well connected in the Middle East.

Mr. Akbar has said that he had neither been a director of Capcom at that time, nor had his brother made him aware of this transaction. He was therefore unable to provide any detailed explanation of this transaction. He believed that Capcom had contacted him to see if he could help persuade his brother to settle the debt.

(b) Settlement of balance

TWOY 2 ceased to trade at the end of May 1987. The debit balance remained unsettled until February 1988, when the balance had increased to $37 million, primarily due to interest charged by Capcom on the overdrawn balance.

As partial settlement of this overdrawn balance, on 23rd February 1988 Mr. Akbar's brother remitted funds totalling $22 million. This comprised four sums each of $5,500,000 which, according to the bank remittance advices, came from four different sources. The source of these sums is summarised in the table below:

Date	Amount $ million	Payment by	Instructions from
23rd Feb 1988	5.5	Security Pacific International Bank, New York. Account:- Credit and Finance Corporation Limited, Grand Cayman	Mark Insurance Consultants Limited
23rd Feb 1988	5.5	Security Pacific International Bank, New York. Account:- Credit and Finance Corporation Limited Grand Cayman	SES Investments Limited
23rd Feb 1988	5.5	Security Pacific International Bank, New York. Account:- BCCI (Overseas) Limited Grand Cayman Branch Funds Management Unit	Mahawish and Mahawish

Date	Amount $ million	Payment by	Instructions from
23rd Feb 1988	5.5	Security Pacific International Bank, New York. Account:- BCCI (Overseas) Limited Grand Cayman Branch, Funds Management Unit	El Rawas Real Investments Limited

Mr. G.R. Khan confirmed that he is a director of Mark Insurance Consultants Limited, SES Investments Limited, Mahavish and Mahavish and El Rawas Real Investments Limited and explained the nature of these receipts as follows:

- At the end of January 1988 or early February 1988, Mr. Akbar's brother, who "he knew and trusted", contacted him from Muscat, Oman to discuss the payments he was to make to Capcom. Mr. Akbar's brother wanted to raise a number of loans and needed three or four companies whose names could be used for this purpose. Mr. Khan consented to the use of four companies of which he was a director.

- Mr. Akbar's brother arranged these loans and guarantees through his contacts. Mr. Khan knew Mr. Akbar's brother to be a resourceful individual, having a number of clients with high net worth.

- In February 1988, shortly after he had been contacted by Mr. Akbar's brother, someone from BCCI visited Mr. Khan while he was at FAS with the appropriate loan documentation. He signed this documentation but failed to retain a copy and can not recall what it said.

- Four or five days later Mr. Akbar's brother contacted him to confirm that he had raised four loans each for $5.5 million in the names of the four companies.

- Between 12 and 15 days later, Mr. Akbar's brother contacted him again, informing him that the loans had been discharged. He has received verbal assurances from Mr. Akbar's brother that none of the four companies have any further liability relating to these loans.

- He had no idea to which accounts in Capcom these sums were credited or how the loans had been discharged.

- The reason why he had been asked to assist in raising these loans was because Mr. Akbar's brother was unable to do so in his own name.

- He had not discussed these loans with any of the other directors of the four companies involved.

Having remitted $22 million to Capcom, Mr. Akbar's brother still had an unsettled debit balance in excess of $15 million. Capcom reached agreement with Mr. Akbar's brother on how this was to be settled. A copy of this agreement is attached as Exhibit 13.

According to this agreement Mr. Akbar's brother undertook to remit $5 million by 29th March 1988. A sum of $5 million was remitted on this date from Bank of New York, account United Bank Limited, on the instruction of Mr. Akbar's brother himself.

Mr. Akbar's brother also undertook to remit $3 million no later than 30th April 1988 and a further $3 million no later than 31st May 1988, with the remaining debit balance being cleared by 30th June 1988. These sums were not received. However, on 12th August 1988, $15 million was remitted. This was received from Security Pacific International, New York, account Credit and Finance Corporation, Grand Cayman. This sum, according to the bank remittance advice, appears to have been remitted upon the instruction of CFC, who we have assumed are probably Credit and Finance Corporation, which is, according to Mr. Akbar, a subsidiary of BCCI.

Mr. Akbar was unable to explain the nature of any of the TWOY 2 receipts though he said that he would have instructed Capcom's treasurer as to which account these monies were to be credited.

Similarly, Mr. Parry and Mr. Puri were unable to shed any further light on the nature of these receipts except that they were to clear an outstanding debit balance. Mr Khan had no knowledge of the receipts of $5 million and $15 million.

According to Mr. Khan, the loans raised by Mr. Akbar's brother in the name of four companies of which Mr. Khan was a director had all been repaid. Mr. Khan was unable to explain how these had been repaid and we have been unable ourselves to obtain further information. Our investigation has, however, identified two payments made around this time by other Capcom client accounts in the sum of $5.5 million. It is possible that these sums are connected with the repayment of the loans. These payments are summarised below:

Date	Amount $ million	Capcom account debited	Paid to
9th March 1988	3.0	GOOD 3	Security Pacific
10th March 1988	2.5	GOOD 3	International Bank, New York. Account:- BCCI (Overseas) Grand Cayman
15th April 1988	5.5	GESS	Security Pacific International Bank, New York. Account:- BCCI (Overseas) Grand Cayman

Neither Mr. Akbar, Mr. Puri nor Mr. Parry could provide an explanation for the payment from GOOD 3. Similarly, no explanation has been provided for the payment from GESS. Mr Akbar did however

explain that he probably would have received an instruction from his brother and Mr. Sohail Khan.

I have not seen evidence to confirm that any of the $42 million received by Capcom in purported settlement of the debt of Mr. Akbar's brother should have been treated as such. Similarly I have not received explanations of the two payments of $5.5 million from accounts GOOD 3 and GESS. I believe that in order for Capcom to satisfy itself that these sums have been accounted for correctly, independent confirmation should be obtained from the parties concerned.

FINLEY

(a) Background

Finley is a company registered in Liberia. We have been informed by Mr. G.R. Khan that the only two directors of Finley are Mr. Akbar who is the chairman and treasurer and Mr. Khan who is also the company secretary. In 1986, Mr. Khan was considering leaving BCCI and wanted to be responsible for developing a real estate business using Finley as the vehicle company. Some funds were raised from clients of Mr. Akbar in the Middle East and in 1986 Finley bought a property in Golders Green which has subsequently been sold to Mr. Akbar.

According to Mr. Khan, Mr. Akbar subscribed for £150,000 of the share capital of Finley but Mr. Khan himself had no interest in the ownership of Finley. Mr. Akbar has, however, denied that he was the beneficial owner and said that he did not know exactly who was, though he believed that the owners were resident in the Middle East.

Finley currently does not have a UK correspondence address. The company's UK address was 68 Vicarage Farm Road, Heston, Hounslow, Middlesex. This was the address of a clothing business of Mr. Khan that had been run by a friend. Mr. Khan was unable to renew the lease of this property and his business was forced to vacate the premises.

On 15th September 1988, approximately $23 million was received by Finley in its account at Middle East Bank, 1 Lombard Street from Banco Nacional de Panama. Copies of letters from Finley instructing the manager at the Middle East Bank to make various payments upon receipt of these funds are attached as Exhibit 14. A summary of the payments is as follows:

Date	Amount $ million	Payee
15th Sept 1988	4.0	Capcom - GOOD
15th Sept 1988	11.0	Capcom - GESS
19th Sept 1988	5.5	Capcom - GESS
19th Sept 1988	2.6	Trade Development Bank - Red Roses
	23.1	
Balance	0.2	
	23.3	

Mr. Akbar is the only person to whom we have spoken who admits to any knowledge of the reasons for these receipts and payments. He has informed us that the the monies received by Finley were remitted by Al Fathi Tawfik, who had wished to participate in investment in real estate.

(b) GOOD - $4 million

Since February 1988, GOOD had run a large, unsecured, overdrawn balance. This had been permitted as El Rayan was considered to be a valued client to whom credit needed to be granted in order to retain goodwill. On 14th March 1988, a board minute authorised the granting of a credit line of $5 million, but this limit was consistently breached. At the end of March, the balance on the account was $9.8 million, with a peak balance reached in June 1988 of $10.6 million.

Mr. Akbar has told us that the GOOD account was operated by Ahmed Tawfik and a private assurance was given by his brother, Al Fathi Tawfik, to Mr. Akbar that Al Fathi Tawfik would personally repay any deficit on the GOOD account, though this information should not be disclosed to Ahmed Tawfik. Thus, of the funds placed at the disposal of Finley, $4 million was used in part reduction of the overdrawn balance on the GOOD account.

(c) GESS - $11 million

Mr. Akbar explained that this sum had been credited to GESS to cover a loss that this account had made on a specific transaction in 1987 when GESS had covered GOOD on a silver bullion transaction.

Mr. Akbar explained the transaction as follows:

- Around July 1987, GOOD had sold short a large quantity of silver at $8 per ounce. The market had gone against GOOD and rose to approximately $11 per ounce. However, GOOD was adamant about not closing the transaction and thus realising the loss.

- Capcom was concerned about the unrealised loss on this position. GOOD was not providing margin cover and therefore Capcom had to deposit variation margin with brokers using its own resources.

- Capcom had threatened to close the position forcibly. GOOD's response to this threat was to suggest that if this were to happen it would take future business elsewhere. At the time it was also trading with Shearson Lehman and Hutton. GOOD, however, was an extremely valued client and Capcom did not want to lose this business.

- Mr. Akbar was not involved with Capcom at the time, but was a director of FAS. Capcom, however, approached him to provide some assistance because of his relationship with Ahmed Tawfik and his role in gaining the GOOD account for Capcom in the first instance.

- Mr. Akbar discussed with his brother and Mr. Sohail Khan, his contacts at GESS, whether the beneficial owners would agree to take the opposite position in silver to GOOD. His brother and Mr. Sohail Khan verbally approved this transaction. As a result, Capcom matched its short positions in silver with the market by corresponding long positions booked to the GESS account. The incentive for

GESS providing cover for the GOOD position was that Mr. Akbar would "make some profit for you" (GESS). He claimed in the past to have made those involved with GESS between $40 and $50 million.

- Both Ahmed and Al Fathi Tawfik were aware of the situation and Ahmed Tawfik agreed in writing to reimburse GESS a maximum of $10 million for any loss that GESS suffered as a result of taking the position. After Capcom closed its position, the price of silver subsequently fell and GESS lost approximately $7.5 million to $8.0 million. GOOD recovered all its previous losses, making an overall profit on the transaction.

- After the completion of the transaction, Mr. Mounir Gouda, a director of El Rayan, visited London on the instruction of Ahmed Tawfik to verify the loss in the GESS account. The $10 million originally promised was not, at Ahmed Tawfick's instigation, received by Capcom.

- The $11 million was credited to account GESS to cover this loss.

Our investigation has been unable to confirm Mr. Akbar's claim that GESS provided the cover for the silver position. Exhibit 15 shows a chart of the price movement in silver for the period from 3rd October 1986, to 12th May 1988. This shows a significant rise in the price of silver at the end of April 1987. When this chart was presented to Mr. Akbar, he confirmed that it was around this time, and not July 1987, that the GOOD/GESS cover transaction arose.

A review of the client ledgers for 28th April 1987 has identified that account GOOD had sold short 6 million ounces of silver. At the same time account ZITS 2 was long of 200,000 ounces, while ZITS 3 was long of 3.6 million ounces. However, account GESS did not trade in silver in the period from 14th April 1987 to 3rd June 1987. The outstanding positions on these accounts are summarised in Exhibit 16.

Exhibit 16(i) shows GOOD's short position of 6 million ounces. The sixth column shows the prices at which these contracts were dealt, the column to the right the then current contract price and the next one the unrealised profit or loss on these contracts. The open contracts show an unrealised profit of $4.3 million.

Exhibit 16(ii) shows the long position of ZITS 2 of 200,000 ounces with an unrealised loss of $34,740, while Exhibit 16(iii) shows the long position of ZITS 3 of 3.6 million ounces with an unrealised loss of $9.8 million.

Our investigation therefore suggests that it was ZITS and not GESS that covered the GOOD position. However, Mr. Akbar is adamant that it was GESS that provided cover, not ZITS.

Mr. Puri was able to recall an occasion where GOOD's dealing was covered by an account over which Mr. Akbar had authority. He could not however recall which of Mr. Akbar's accounts was involved, though he thought it was probably GESS.

Mr. Parry's explanation of the transactions was as follows:

- Initially, he could not recall this transaction precisely, though later he had some recollection. In the early days of Capcom's relationship with GOOD, he had been responsible for the account and had carried out 75-80% of the trading on the account. However, he had not had responsibility for this transaction and believed it was Mr. Akbar's way of covering Capcom. Mr. Akbar had discussed it with him after the event. He also confirmed that Mr. Akbar may have told GOOD about the transaction "as a marketing tool".

- He agreed that the transaction did appear "a little odd", although, if the beneficial owner of account GESS were Mr. Akbar, the whole transaction would be more explicable.

(d) GESS - $5.5 million

Mr Akbar's explanation of this payment is as follows:

- The payment to GESS was not to make up for previous losses made by GESS or for the development of a real estate business, but rather represented a loan by Al Fathi Tawfik to GESS. This loan was to be repayable "as early as possible". The money has not been repaid to date.

- The loan was arranged at the instruction of GESS i.e. Mr. Akbar's brother and Mr. Sohail Khan.

- Any written record of the loan was "not with me" (Mr. Akbar). He did suggest that if such documentation did exist it could either be with Al Fathi Tawfik or Capcom. However he did not believe that such documentation existed.

- No written record was made of the loan because of firstly, exchange control imposed by the Egyptian Central Bank, and secondly the troubled position of El Rayan.

- The loan had been arranged because at the time of the GOOD/GESS cover transaction El Rayan had promised GESS a significant level of funds for investment.

According to Mr. Parry, Capcom has no knowledge of this loan, or the circumstances surrounding its receipt. No written record exists at Capcom.

(e) Red Roses - $2.6 million

On 9th September 1988, this sum was paid by Finley to Trade Development Bank, Geneva, account Red Roses. Mr. Akbar was unable to explain the nature of this transaction and said that he had received an instruction to make this payment over the telephone from Al Fathi Tawfik. He made no further enquiry.

(f) Mr. Khan's role

Mr. Akbar has stated that although Mr. Khan had been a second signatory on all the Finley letters, he did not understand the nature of the transactions. Mr. Akbar had made Mr. Khan aware of these transactions because "if anything goes wrong with me (Mr. Akbar), someone should be responsible". Mr. Khan would be able to go back to the Middle East and establish the exact nature of these receipts and payments because of his close friendship with Ahmed Tawfik.

Mr. Khan confirmed that he had not understood the nature of the Finley transactions. He was also not aware to which accounts in Capcom payments had been credited. He had been asked to sign the letters by Mr. Akbar, believing that he was merely authorising them. He did go on to say that even though he did authorise the movement of these funds, he believed only one authorising signature was necessary. He trusted Mr. Akbar and believed all the funds related to the creation of a real estate business.

(g) Other Finley related transactions

On 11th April 1988, $2.3 million was paid to Finley from account GOOD 15. This sum was paid on Mr. Akbar's instruction to the Middle East Bank account held with the Bank of California International, New York. The documentation supporting the payment is attached as Exhibit 17. Our investigation has identified that included within the contents of Mr. Akbar's desk were Finley's cheque stubs, one of which noted a payment of $2,250,000 to CFI.

On 22nd April 1988 Mr. Akbar sent a letter on FAS headed paper addressed to the treasurer at Capcom. This instructed him to issue five cheques in favour of Mr. Shamsuz Zaman, Mr. Pervez Shahid, Mr. M.R. Shah. Mr. Akbar's brother and Finley. A copy of this letter is attached as Exhibit 18. Similar payments were also made on 9th February 1988. Mr. Akbar has explained that these payments were made to the fund managers of the PERV account which included Finley. As discussed previously in this Affidavit, the fund managers and the beneficial owner of the PERV account, Al Fathi Tawfik, the chairman of El Rayan, share profits equally.

On 14th June 1988, a cheque for £120,000 drawn on Finley's Midland Bank account and signed by both Mr. Akbar and Mr. Khan was paid into account TWOY. Mr. Akbar explained that this was in respect of commission due to TWOY.

(h) Summary

Explanations received to explain the purpose of the various receipts and payments by Finley have been unsatisfactory. In particular, no documentary evidence exists to support Mr. Akbar's assertion that $23.3 million received by Finley was remitted personally by Al Fathi Tawfik, who is now dead.

Dealing first with the payment of $11 million to GESS in respect of the covering position taken in 1987, there are a number of matters that render Mr. Akbar's explanation unconvincing:-

- Our investigations show that cover appears to have been provided by ZITS, not by GESS. Therefore explanation of the payment as being recompense for a loss taken by GESS would only make sense if this loss had in some way been transferred from ZITS to GESS. However, Mr. Akbar is adamant that it was GESS that provided the cover.

- The commercial reality of the written agreement by Ahmed Tawfik to reimburse GESS up to $10 million for any loss suffered suggests that he was in fact prepared to realise the losses made on his silver dealings. If this were his intention, it would have been simpler to close his position rather than provide an indemnity to GESS.

- Mr. Akbar's reasons for the provision of the cover are confusing. He originally claimed that the transaction was arranged because Capcom was concerned about its "high credit risk exposure" to GOOD. Subsequently, he claimed that the principal purpose was to mitigate demands on Capcom's liquidity.

- Mr. Akbar estimated the loss made by GESS to be $7.5 million to $8 million although the loss to ZITS was actually $9.8 million. Given the size of the claimed loss by GESS there seems no reason why GESS should then be paid $11 million as compensation for the cover.

We have also not received any convincing explanation of why the directors of Capcom, understandably concerned about the size of the GOOD debt, should apparently be comforted by cover provided by another client.

In respect of the other payments by Finley, there are again deficiencies in Mr. Akbar's explanations:-

- The payment of $4 million was credited to GOOD on the basis that this sum was not to be disclosed to Al Fathi Tawfik's brother, Ahmed. However, the latter would have been able to see the money appearing on the GOOD statements which Mr. Parry has stated are sent regularly to GOOD.

- No evidence is held by Mr Akbar or anyone else at Capcom of the loan of $5.5 million, although we have not contacted either Mr. Akbar's brother or Mr. Sohail Khan, Mr. Akbar's contacts at GESS, to confirm whether a loan agreement exists.

- Mr. Akbar has explained that the purpose of Al Fathi Tawfik's loan to GESS was that, in accordance with Islamic precepts, any excess funds remitted should not be placed on an interest bearing deposit account. This statement conflicts with the last paragraph of the letter from Finley to the Middle East Bank dated 13th September 1988 which instructs the bank to place $8.3 million on call deposit, an interest bearing account.

- No documentation supports the payment of $2.6 million to Red Roses. Details of account Red Roses are not known. However, according to Mr. Akbar's diary on 12th September

1988, a copy of which is attached as Exhibit 19, both the name of Red Roses and Robert Musella are noted. Mr. Musella is the FBI undercover operative associated with much of the investigation which gave rise to the US indictment against Capcom and Mr. Akbar.

All the transactions involving Finley are most curious and the explanations provided by Mr. Akbar are either illogical or not capable of corroboration. A risk may exist that the monies transferred by Finley to Capcom should not have been credited to the GESS account and that these sums are liable to be repaid to Finley. Direct confirmation from the owners of Finley should be obtained by Capcom about the application of these sums.

GOOD

(a) Introduction

We have carried out a broad review of cash receipts and payments on the GOOD account for the period from January 1988 to October 1988. Based on our review, funds of about $45 million were received by Capcom and credited to the 15 accounts maintained by GOOD. Payments of about $13 million were also made from the GOOD accounts in this period implying net receipts of $32 million. Set out in Exhibit 20 are summaries of all the receipts and payments identified by us on GOOD accounts 1, 3 and 15 for the period from 1st January 1988 to 31st October 1988. No funds of any significance were received into or paid from the other 12 GOOD accounts.

During the period from January 1988 to October 1988, the balance on the GOOD accounts moved from an approximately flat position at the end of January 1988 to an aggregate debit balance of about £4 million ($7 million) at the end of October 1988. Due to the very large volume of trading being conducted, we have not carried out an analysis of the trading activity on the accounts with a view to estimating their profitability; however a broad review indicates that, overall, the trading activity was loss-making during the period in question. Mr. Parry estimates that losses of approximately $20 million have been incurred on the GOOD accounts during the period. The net amount remitted, added to the movement

on the account is $39 million. There are two possible explanations for the apparent discrepancy between this amount and Mr. Parry's estimate of the trading performance:

- Mr. Parry's estimate is incorrect and the losses on the GOOD accounts were greater (up to $39 million).

- Other settlements or transfers have taken place that were not specifically designated as cash entries and therefore were not included in our review of cash receipts and payments on the accounts.

Without carrying out a detailed analysis of trading on the accounts we are not in a position to ascertain which of the above explanations is correct. It is, however, apparent that gross receipts of $45 million were remitted to the GOOD accounts during the course of 1988: these have either been lost through trading, or paid out or otherwise transferred. Over $31 million of these gross receipts were remitted in the period from January to the end of June 1988.

A review of the nature of the entries in Exhibit 20 indicates that many of the funds received were in relatively small amounts and were by negotiated bankers drafts. We have been told by Messrs. Akbar, Puri and Parry that this was a common method for funds to be received on the GOOD account. Investors in El Rayan would draw bankers drafts in favour of El Rayan, its employees or employees of Capcom (Mr. G.R. Khan and other personnel in the Capcom's Cairo office) and these drafts would be endorsed over to Capcom's name and paid in to its account. Drafts would also be drawn in favour of Mr. Akbar for the same purpose. The more significant receipts and payments on the GOOD accounts are discussed in the following paragraphs.

(b) $265,000 receipt

This receipt on 14th January 1988 comprised three bankers drafts: $175,000 drawn in favour of General Securities, $75,000 in favour of Mourice Salieb Girgis and $15,000 in favour of Mr. G.R.

Khan. The first two drafts were drawn on BCCI (Overseas) Limited, Miami, Florida. The draft in favour of General Securities Limited was subsequently returned by the bank and was debited to the GOOD account on 21st January 1988.

(c) <u>$150,000 paid to Shakarchi Trading</u>

On 10th February 1988, Capcom received a telex from Ahmed Tawfik giving instructions to make a payment of $150,000 to Shakarchi Trading. The telex was marked for the attention of Mr. Parry.

Mr. Parry was not able to explain the nature of this transaction, although he thought that it was quite normal for Ahmed Tawfik to use the GOOD account effectively as a bank account. Mr. Puri was also unable to provide an explanation for this transaction. He was, however, aware that other Capcom accounts which had been introduced by GOOD transferred money to or from Shakarchi. Shakarchi were principally a gold bullion dealer with which a significant number of Egyptians dealt.

Attached as Exhibit 21 is a newspaper article which mentions Shakarchi Trading in a discussion on the laundering of drugs money in Switzerland.

(d) <u>$4 million receipt</u>

This receipt from Finley on 15th September 1988 is discussed above.

(e) <u>$3 million and $2.5 million paid to BCCI</u>

These payments, totalling $5.5 million were made on 9th and 10th March 1988 and also are discussed above. They were remitted to BCCI (Grand Cayman) shortly after four payments of $5.5 million were made to Capcom via BCCI (Grand Cayman) and credited to the TWOY 2 account.

(f) $2.3 million paid to Finley

This payment on 11th April 1988 is also discussed above. It was remitted to Finley's account at the Bank of California.

(g) Summary

As with the other client accounts, explanations of various receipts and more especially payments on the GOOD accounts have been unsatisfactory. Furthermore, the way in which funds were received merits further investigation in the light of the regulatory problems El Rayan are currently experiencing.

The identity of the beneficial owner or owners of the GOOD accounts is not clear and it is not certain that balances on the 15 accounts are capable of set-off one against each other. Although the accounts were opened in name of El Rayan, there is reason to believe that Ahmed Tawfik and others operated the account as if they were personal dealing accounts. Both Mr. Puri and Mr. Parry have said that there was never really a distinction in their minds between El Rayan and Ahmed Tawfik. Mr. Akbar has informed us that Al Fathi Tawfik is the beneficial owner of the PERV account and the connection, if any, between that account and the GOOD account, and the GESS and TWOY accounts that may be established or inferred from the transactions passing through Finley merits further investigation before making firm conclusions about the ownership of the accounts or the propriety of transactions on them.

SALE OF FAS PROPERTY

(a) Background

On 17th September 1986, FAS purchased a property at 107 Grays Inn Road, London for £1.63 million from House of Sethia Limited, a company in receivership and connected with Johnson Matthey. Early in 1987, this property became FAS's office. As total office space was significantly in excess of FAS's requirements, FAS only occupied the ground floor and let the first, second and third floors.

A loan of £1.63 million to fund the property purchase was provided by GESS. This sum was debited to the GESS account in Capcom's books. The funds were remitted in five tranches from 17th September 1988 to 22nd October 1988. The loan agreement is attached as Exhibit 22.

The property was sold in two parts: some land at the rear of the building in June 1988 to Hampstead Properties and the building in August 1988 to Eastern Peddlar Limited. Mrs. Puri explained that FAS had been forced to sell as it was no longer able to finance the loan.

On 19th May 1987, £1.5 million of the outstanding balance on the loan from GESS was repaid and replaced with a loan from Middle East Bank. This in turn was repaid in early 1988, using a bridging loan from Sheikh Nooruddin. The remainder of the outstanding balance on the GESS loan, including interest, was repaid in two amounts, £195,000 and £82,000 paid directly by FAS. Exhibit 23 summarises the movements in these loans.

A review of receipts and payments on Capcom's client accounts has identified that certain of these loan repayments, together with proceeds arising from the sale of the property, have passed through Capcom. The amounts concerned are discussed below.

(b) Deposit of £195,000

On 31st March 1988, £195,000 was paid from account GOOD to Barretts (the purchasers' solicitors) who paid an identical sum to FAS on 8th April. Mr. Puri authorised the payment by GOOD. On the same day as it received the £195,000, FAS remitted it to Capcom, where it was credited back to account GOOD. According to papers produced by FAS, the £195,000 remitted to Capcom represented repayment of part of the original loan from GESS. Mr. Puri explained that the payment of £195,000 from account GOOD was a mistake but was unable to explain from which account this sum should have been paid.

(c) Sale of land for £350,000

On 21st June 1988, a sum of £350,000 was received by FAS in respect of the sale of the land beside the building and was immediately remitted to Capcom. In Capcom's books, upon Mr. Akbar's instructions, this was credited to the TWOY account.

According to the records at FAS, this sum was remitted to repay Sheikh Nooruddin's bridging loan.

(d) Balance of £1,405,000

A sum of £1,405,000 was received by J.A. Forrest, solicitors acting for FAS, on 16th August 1988. This represents the balance of the sale consideration and was paid from the TWOY account at Capcom. Of this sum, £1,398,100 was remitted by J.A. Forrest to FAS and the balance withheld to cover solicitors' fees

FAS remitted £1,290,767.61 to Capcom on 31st August 1988 in tranches of £81,989.62 and £1,208,777.99. According to FAS, the former amount was in settlement of the outstanding balance on the loan from GESS, while the latter sum was in settlement of the loan from Sheikh Nooruddin.

In Capcom's books the whole sum of £1,290,767.61 was credited to account GESS. Both these entries were made upon the instruction of Mr. Akbar.

Information obtained from Mr. Akbar about these confusing transactions is as follows:

- He was unable to provide an explanation for the payment by account GOOD of £195,000 to Barretts as the deposit on the property sale, and its return to the same account eight days later.

- Sheikh Nooruddin is closely associated with his brother and Mr. Sohail Khan, both of whom are connected with both the GESS and TWOY accounts. Mr. Akbar believes that he

would have received the repayment instructions for Sheikh Nooruddin's loan from either his brother or Mr. Sohail Khan.

- Eastern Peddlar Limited who purchased the FAS building are owned by or associated with Mr. Sohail Khan and Mr. Akbar's brother.

Mr. Puri has told us that he had been asked by Mr. Akbar's brother to set up Eastern Peddlar. He could not recall exactly when he received this request, although he did believe that it was sometime between late 1986 and early 1988.

(e) Summary

Exhibit 23 clarifies the transactions involved in the purchase and sale of this property and the redemption of the associated loans. However, the explanations we have received concerning this transaction have been both confusing and conflicting.

We have been unable to obtain satisfactory answers for the reason why £195,000, representing the deposit on the sale of the property was paid from account GOOD and then was credited back to GOOD eight days later. According to FAS's records, this sum was to be used to repay the balance of the loan from GESS but as this sum has not been credited to the GESS account, it is possible that this loan may not have been discharged.

The explanations we have received concerning Eastern Peddlar suggest that this company is associated with account TWOY although we are not in possession of any documentary evidence to support this. If this connection does exist, it would explain the payment of £1,405,000 from account TWOY for purchase of the property. As the sale consideration was £1.6 million, the deposit of £195,000 should probably also have been paid from this account. An adjustment to credit account GESS and debit account TWOY in the sum of £195,000 may therefore be necessary.

It remains unclear whether Sheikh Nooruddin's loan has actually been repaid. Our review of certain of Capcom's client accounts has not identified any of these accounts as the source of the funds for

Sheikh Nooruddin's original loan in early 1988. As indicated above, proceeds from the sale of the property have been credited to accounts TWOY and GESS in apparent repayment of Sheikh Nooruddin's loan. Mr. Akbar claims that Sheikh Nooruddin was closely associated with his brother and would have agreed to these accounts being credited. If this were not the case, Sheikh Nooruddin's loan would appear to remain outstanding. To clarify this position independent confirmation should be obtained from all parties to the transaction of their acceptance of the treatment by Capcom of receipts and payments.

Though this transaction is relatively small in comparison to other unusual receipts and payments on client accounts at Capcom, it provides evidence of the way in which monies were switched between accounts by Mr. Akbar on an apparently arbitrary basis. Further, the transaction clearly suggests a close link between GESS, TWOY, Sheikh Nooruddin and Mr. Akbar's brother.

GESS - OTHER TRANSACTIONS

(a) Drugs Money

Section 8.4 of the Capcom Report to SIB discussed the US indictment which names 14 defendants of whom the last two are Mr. Akbar and Capcom. The indictment refers specifically to a sum of $25,000 paid into Capcom on 28th September 1988 and relates that Mr. Akbar had met a US law enforcement officer acting in an undercover capacity and discussed the laundering of proceeds from cocaine sales. This sum was allegedly remitted to Capcom pursuant to these arrangements.

This sum was received from a company called Hardeman Company Limited. Exhibit 24 contains the bank remittance advice, together with Capcom's own receipt advice.

Mr. Akbar has explained the nature of this transaction as follows:

- He had spoken to Mr. Robert Musella, the undercover operative, about investing funds in Capcom. The sum was

therefore remitted in order to establish an account in Capcom's books.

- The sum, however, was subsequently returned as Mr. Musella was about to get married and required the funds.

- The sum was credited to the GESS account by mistake. An account in Mr. Musella's name had not been opened because completion of account opening documentation was outstanding.

A further receipt of $500,000 which was also credited to the GESS account is not mentioned in the indictment but, according to Kingsley Napley, Mr. Akbar's solicitors, has been investigated by HM Customs & Excise as allegedly being connected with the laundering of drugs money.

The sum of $500,000 was received from Sandart Limited ("Sandart") on 14th September 1988. Exhibit 25 contains the relevant bank remittance advice and Capcom's own receipt advice. The $500,000 was returned to Sandart on 6th October 1988.

Mr. Akbar's explanation of this transaction was as follows:

- The sum was remitted by Mr. Musella on behalf of a company established by him and the funds were to be invested by Capcom.

- The $500,000 was returned as the company's year-end was approaching.

- The funds were again credited to the GESS account by mistake in the absence of completed account opening documentation.

(b) Sale of shares in CFI

As discussed previously, the consideration for the sale of Capcom's shares in CFI was $1,950,000; this amount is due from a number of Capcom's shareholders, Mr. Saghir and Zask. Mr. Akbar has

said that he arranged the finance for the purchase of the shares on behalf of these individuals.

On 23rd September 1988, $1,950,000 was received by Capcom from CFI. We have been informed that this sum was remitted to CFI by Ixora Investments Limited ("Ixora") for onward transmission to Capcom. Mr Akbar has told us that he beneficially owns Ixora and originated this transaction. On receipt, this sum was credited by Capcom to the GESS account. Mr. Akbar has explained that this sum represented the settlement of the sale of Capcom's shares in CFI but had been incorrectly credited to GESS.

On 22nd September 1988, $2 million was paid from account GESS to CFI on Mr. Akbar's instructions. We have not been provided with any explanation by Mr. Akbar for this payment.

Mr. Parry considers that a connection exists between the payment by GESS to CFI of $2 million and the subsequent receipt by Capcom from CFI of $1.95 million. Accordingly, the net effect of these transactions as currently recorded in the books of Capcom is to leave outstanding the debt due by CFI's shareholders.

(c) Melitco

Melitco is a trust company based in Vanuatu. It will arrange the formation of companies under that country's legislation and provide shareholding facilities and nominee directors. The true beneficial ownership of such companies and their constitution is not a matter of public record and in order to obtain such information, permission of the beneficial owners must be provided to Melitco.

On 20th April 1988, a payment of $125,000 to Melitco was debited to the GESS account. Mr. Puri has explained that this was in respect of the capital subscription of an offshore bank established by Melitco on his behalf which had nothing to do with Capcom or Capcom Bankers. The funds were subsequently received back by Capcom and credited to the GESS account on 26th May 1988. The transaction therefore amounted to a temporary advance by GESS which was authorised by Mr. Akbar under the authority of his Power of Attorney. We have not asked Mr. Akbar about this arrangement.

(d) £25,000 cash

On 17th August 1988, a payment of £25,000 was debited to the GESS account. This payment was made in the form of a cheque drawn to cash and a letter from Capcom enclosing £25,000 in cash attached to the payment authorisation has been countersigned by Mr. Akbar in acknowledgement of his receipt of the money. Mr. Akbar has explained to us that, following instructions received from Mr. Sohail Khan, he handed this money to the wife of a Saudi individual who was in London for medical treatment in order to meet the cost of this treatment. [He does not remember the name of this individual.]

(e) Summary

A summary of all receipts and payments on the GESS account from 1st February 1988 are attached as Exhibit 26. This shows a large number of receipts and payments for a wide variety of purposes, few of which, if any, are connected with trading undertaken by GESS. It seems as though the GESS account was treated by Mr. Akbar almost as an account of convenience from which payments could be made without the need to provide proper written record.

PREDILECT

(a) Introduction

On 3rd October 1988 Capcom received $10 million from Predilect Investments Limited ("Predilect"), British Virgin Islands. The monies were credited to account GESS 2 which had been opened by Capcom specifically upon Mr. Akbar's instruction for the purpose of receiving this money. It has subsequently been revealed that Predilect are owned by the Nigerian National Petroleum Corporation ("NNPC"). The chairman of NNPC is the oil minister of Nigeria. The money was received as the first tranche of $50 million to be invested with Capcom following a Capcom proposal document entitled "A strategy for investing a $50 million portfolio". The balance of $40 million was to be received in a further four tranches over a period of two and a half months.

According to the proposal document, Capcom was to invest sums received in a diversified portfolio. The primary dealing strategy was to be made by Capcom's team of fourteen investment traders and was to be supported by a "technical and fundamental back up unit". The proposal document concludes that Capcom was aiming to return to Predilect about 3 to 5 per cent per annum above dollar interest rates on this portfolio without taking undue risks.

According to Mr. Akbar, NNPC did not place money directly with Capcom due to Nigerian exchange control restrictions. Predilect was thus established to avoid these controls.

Although it is not clear from the proposal document, Capcom intended to place monies from Predilect with a trading adviser called Security Capital Management Inc. ("SCM"). This agreement does not mention NNPC or Predilect.

The salient features of the draft agreement are as follows:

- Cash or securities valued at $20 million were to be deposited with SCM, although subsequent further contributions could be made.

- SCM was to deal on behalf of Capcom.

- Capcom was to act as primary broker with respect to futures contracts and securities. It was to charge a flat fee of $50 per contract for the first 120,000 contracts per annum and then $25 per contract thereafter.

- SCM made no guarantee as to the return on these funds. It was not liable for any losses other than those arising through negligence.

- SCM was to charge both a quarterly management fee and an incentive fee.

- The draft agreement had no expiry date, though it could be terminated immediately by Capcom or with sixty days written notice by SCM.

- Investments were to be constantly hedged to the greatest extent possible to produce a return of one year dollar LIBOR plus 2%.

Receipt of funds

Exhibit 27 is a copy of the confirmation that Capcom sent to Predilect to acknowledge the receipt of the funds. This showed that Predilect was to receive a fixed return of 11% for one year rather than a semi variable return of between 3 to 5% above dollar interest rates.

The explanations we have received on this transaction from Mr. Akbar and Mr. Parry conflict in certain respects. Mr. Akbar's explanation was as follows:

- Money was to be placed with SCM, an arbitrageur who was returning 4 to 5% over market interest rates "with no risk".
- Capcom would be trading for its own account. If the funds returned a sum greater than 11%, a profit would arise to Capcom, while if less than 11% it would result in a loss for Capcom. It was not normal for Capcom to enter into such a transaction.
- He had discussed this matter fully with Mr. Parry.

Mr. Parry's explanation of this deal however was somewhat different:

- He agreed that Capcom was to trade the money and they had been talking to a US arbitrageur. Capcom had "guaranteed" Predilect a minimum return of dollar LIBOR plus 2 or 3%; this he thought was about 11%.
- He believed that all profits generated from trading these funds were to be passed on to the customer (although Capcom would bear any losses) though he agreed this was not clear from the receipt advice. Capcom was expecting

brokerage of about 6% on the principal therefore implying a return of dollar LIBOR plus 10% from the US arbitrageur. He believed that this was a reasonable rate of return.

(c) Almas

In addition to paying Predilect a minimum return of 11% on these funds, Capcom was to pay introducing brokers commission of 2% to Almas Holdings Limited ("Almas"). A copy of a letter from Almas setting out these terms can be found at Exhibit 28. The managing director of Almas is Mr. Ajay Shaik who had been a colleague of Mr. Akbar's at BCCI. Mr. Akbar did not know who owned Almas.

Mr. Akbar's explanation of this agreement with Almas was as follows:

- Although the letter indicates that Almas was to receive an introducing commission, Capcom had not yet agreed to pay this. Mr. Akbar had merely given Mr. Shaik an understanding that if Capcom were to make money from the deal, Capcom would consider paying a commission of 2% to Almas.

- He, Mr. Akbar, was not to receive any share of this 2% commission and had not discussed this matter with his fellow directors.

Mr. Parry confirmed that he had not been made aware that a commission would have to be paid to Almas. He was however aware that some sort of a commission would have to be paid to an introducing agent and regarded such an arrangement as quite normal in the circumstances.

(d) Return of funds

On 12th October 1988 Capcom received written instructions from Predilect, asking for the immediate return of the funds. In the crisis following Mr. Akbar's departure, senior management at Capcom sought assistance from Mr. Puri. A copy of a note of a meeting

attended by Mr. Puri and senior management at Capcom can be found at Exhibit 29. At this meeting they noted the fact that these funds had been incorrectly credited, at Mr. Akbar's instruction, to account GESS 2.

On 11th October these funds had been transferred by Capcom to account XTRANS, a suspense account used by Capcom for funds received from customers who have not completed account documentation. The funds were then returned to Predilect on 12th October 1988. Mr Shaik who, according to the note, knows Predilect, had written to Capcom clearly stating that these funds were not drugs related. A copy of this letter can be found at Exhibit 30.

(c) Summary

Available evidence suggests that an investment management arrangement was to be entered into on behalf of Predilect and that this was subsequently terminated. However, Mr. Akbar's and Mr. Parry's views conflict as to whether these funds were to be traded for Capcom's own account or Predilect's own account. The proposal document provided to the Chairman of NNPC does not make this clear, although the agreement with SCM suggests that Capcom would be acting as principal. A review of Capcom's business profile submitted to the AFBD would not preclude it from entering into an arrangement on this basis as Capcom is authorised to act as principal in a number of financial products, including those that would have been involved in this arrangement.

FINANCIAL RESOURCES

(a) Capcom

A draft calculation of liquid resources at 31st October 1988, based on the draft balance sheet set out previously is as follows:

LIQUID RESOURCES	£ million
Investments	16.6
Debtors	2.1
Cash and short term deposits	29.3
Total liquid assets	48.0
Liabilities	(34.8)
TOTAL LIQUID RESOURCES	13.2
FINANCIAL RESOURCES REQUIRED	
Absolute minimum requirement	0.1
Expenditure requirement	0.6
Greatest of above	0.6
Investment position risk (say)	1.4
FINANCIAL RESOURCES REQUIRED	2.0
EXCESS RESOURCES	11.2

A reconciliation of the net assets to the total liquid resources of Capcom at 31st October 1988 as follows:

	£ million
Net Assets per draft balance sheet	35.0
Less: items not included in liquid resources calculation:	
- fixed assets	(7.9)
- unsecured trade debtors	(11.9)
- amounts due from shareholders of CFI	(1.1)
- term deposit being UAE Dirham loan to acquire shares in NISCORP	(0.9)
Total Liquid Resources	13.2

The following assumptions have been made in calculating liquid resources:

- o Fixed tangible assets have been excluded in accordance with AFBD rule 8.41.8.

- o Client trade debtor balances of £11.9 million have been excluded from the liquid resources calculation as they are unsecured.

- The amount due from the shareholders of CFI is unsecured and as a result is excluded from the calculation.

- The term deposit re MISCORP has also been excluded as it should be classified as other assets under AFBD rules and no prior written approval has been obtained from the AFBD to treat this as a liquid resource.

The periodic return to 31st October 1988 submitted by Capcom to the AFBD shows excess resources of £12.1 million. A reconciliation of the above figure to that shown above is as follows:

		£ million
	EXCESS RESOURCES PER CAPCOM'S PERIODIC RETURN	12.1
Less:	UAE Dirham loan not excluded from liquid resources calculation by Capcom	(0.9)
Add:	Client segregated cash balances excluded by Capcom not excluded by us	0.7
Less:	Unsecured client balances not excluded by Capcom	(0.7)
		11.2

Although the above calculation shows excess resources of £11.2 million, this is before any account is taken of the effect of:

- The amount to be placed in suspense relating to the potential liability of Capcom on the profit switching transactions discussed above ($3.3 million - approximately £1.9 million).

- The implications of funds being placed to the credit of accounts possibly without the knowledge or approval of the remitter of those funds, for instance:

- the credit of $42 million to the TWOY account representing receipts of funds from various sources

- the credit of $16.5 million to the GESS account and $4 million to the GOOD account representing remittances from Finley

- the amounts placed to the credit of the 15 GOOD accounts and the rights to set-off between those accounts

- the credit of approximately £1.6 million to the TWOY and GESS accounts representing the discharge of the loan from Sheikh Nooruddin to FAS relating to the purchase of the FAS property.

The financial position of Capcom also depends on the absence of any rights of set-off or similar charges on the assets of Capcom and of any undisclosed creditors by way of guarantee or otherwise.

(b) FAS

A summary of the financial resources calculation submitted by FAS to AFBD at 30th September 1988 is shown below:-

	£000
Investments	158
Debtors	63
Cash and short term deposits	138
	359
Deduct Liabilities	(111)
TOTAL FINANCIAL RESOURCES	248
FINANCIAL RESOURCES REQUIRED	
Absolute minimum requirement	10
Expenditure requirement	42
Greatest of above	42
Investment position risk	47
FINANCIAL RESOURCES REQUIRED	89
EXCESS RESOURCES	159

The following points should be noted:

- The liabilities figure is incorrect and should be £171,000 instead of £111,000. Mr. Rahman, of FAS has said this was an error on his part.

- Included within debtors of £64,000 is £20,000 of other unsecured debtors. This should be excluded from the liquid resources calculation as we believe no authorisation has been obtained from the AFBD.

- An investment position risk being 30% of the investments has been calculated on the holding of ATC shares. We have been informed by Mrs. Puri that ATC is a NASDAQ stock and as such traded on the OTC market. Hence, we believe that a 100% investment position risk requirement of £158,000 is needed. However, Mr. Rahman has told us that a 30% requirement was made on the recommendation of the AFBD.

The implication of the above points to the liquid resources is as shown below:

		£000
	Excess Resources per Periodic Return submitted by FAS	159
ess:	Incorrect figure used for liabilities (£171,000 - £111,000)	(60)
	Other unsecured debtors which should have been excluded from the liquid resources calculation	(20)
	Incorrect calculation of investment position risk requirement (£158,000 - £47,000)	(111)
	NET DEFICIENCY	(32)

CONCLUSIONS

Mr. Akbar

An authorised investment business must demonstrate that it is a fit and proper person to carry on an investment business of the kind and scale that it is carrying on. In determining what constitutes fit and proper behaviour, much guidance and interpretation has been issued. It seems to me that the relevant considerations are well summarised in the objective and spirit of the AFBD rules. These state that a member firm must observe high standards of integrity and fair dealing in the conduct of its business, comply with best market practice, act with due skill, care and diligence in providing its services, act in its customers' best interests and observe proper standards of disclosure and accountability. Where a member firm is a company, the fit and proper person requirement extends to a consideration of the fit and properness of its directors and controllers.

Mr. Akbar was, until 13th October 1988, a director of both Capcom and FAS. Under AFBD rules, a controller of a company is defined as anyone who is entitled to exercise more than 15 per cent of the voting power at general meetings, and thus Mr. Akbar remains a controller of both Capcom and of FAS. Mr. Akbar, in my opinion, is not a fit and proper person to be director or controller of Capcom, FAS or any other investment business. I discuss below the circumstances that have led me to reach this conclusion.

Artificial profits

Mr. Akbar has admitted that, "in order to save face", he instructed that artificial transactions be carried out between the GESS, ZITS and FUND accounts in order to increase the profitability of the Fund. Mr. Akbar has told us that he had the authority of Mr. Sohail Khan and his brother and the authority of his own Power of Attorney to effect the transactions on the GESS account. He has also told us that neither Mr. Sohail Khan nor his brother are the beneficial owners of the GESS account and that he does not know who is. If Mr. Akbar does not know who the beneficial owners of the GESS account are, he cannot therefore know whether the beneficial owners do or do not approve of these transactions.

Mr. Akbar has told us that he is the beneficial owner of the ZITS account and that on that basis he had the power to authorise artificial transactions to the detriment of the account. He also has a Power of Attorney to operate the account. Although we have seen what purports to be Mr. Akbar's Power of Attorney, we have not seen any evidence to prove that he is the beneficial owner of the account and therefore could authorise the transactions in that capacity.

FAS acts as trading adviser to the Fund but neither FAS nor Mr. Akbar has a Power of Attorney to operate the account. From what we have seen and been told, it appears to us that Mr. Akbar and Mrs. Puri did in fact issue trading instructions on the Fund account and that Capcom's dealers were accustomed to follow them. In the case of the profit switching transactions, both Mr. Akbar and Capcom's dealers agree that it was Mr. Akbar who gave the dealing instructions. These transactions benefitted the Fund, in which we have been informed that his brother is a major shareholder.

It appears to me that it will be difficult to discover the identities of the beneficial owners of the GESS or ZITS accounts and then to obtain their approval for the profit switching transactions. By virtue of his Powers of Attorney, Mr. Akbar does appear to have the authority to operate both accounts, although he does, of course, have a duty to act reasonably in the use of those powers. Without the acknowledgement of the beneficial owners, I am not however in a position to determine conclusively whether these powers were valid, or the use of those powers approved of, for the periods in question. Even if Mr. Akbar does have the necessary power and the consent of the beneficial owners to carry out such transactions on the accounts, it appears to me that to arrange for artificial transactions to be booked in Capcom's records in order that he could save face with investors in the Fund is an extraordinary and deceitful way to carry on an investment business. In my opinion, Mr. Akbar's actions in this regard do not meet basic standards of integrity, fair dealing or disclosure and accountability.

In the cases of the other apparently similar transactions between the GOOD, PERV and FUND accounts, Mr. Akbar has denied that these were profit switching transactions, but has told us that they

arose from client instructions on the GOOD and PERV accounts of which the FUND account fortuitously stood the other side. We have not been presented with any evidence to prove that client instructions were given in these cases, and in two of the three identified cases, the deal slips were stamped at the same time [Subsequent Capcom report]. Capcom's dealers have explained to us that this was due to administrative delays and have provided explanations for the transactions that broadly agree with Mr. Akbar's. In the absence of clear proof from the beneficial owners of the GOOD and PERV accounts that these transactions were properly authorised, there remains the possibility that these transactions are of the same artificial nature as the GESS and ZITS transactions. If they are, I believe that the circumstances suggest that Mr. Akbar would have been instrumental in instructing them and, because he has no power to authorise transactions on the GOOD and PERV accounts, so doing without the approval of the beneficial owners would clearly not be acting in the best interests of Capcom's customers nor, in my opinion, would it be a fair and honest way to conduct business. At the least, the failure to time stamp deal slips at the time of receipt of customer instructions represents a serious lapse in control procedures at Capcom and a breach of AFBD rules.

GOOD position cover

Mr. Akbar has told us that in July 1987 he arranged for the GESS account to take an opposing position to a substantial exposed silver bullion position on the GOOD account. His explanations of the rationale for these transactions have been confusing, but it appears that his basic purpose was to defend the liquidity position of Capcom (at a time when he was neither a director of, nor shareholder in, Capcom). By his own admission, the result was for the GESS account to lose $7.5 million to £8 million. He has further explained that this amount was reimbursed by the GOOD account in September 1988 (14 months later) by the payment of $11 million from Finley.

Once again Mr. Akbar has told us that he was acting under the authority of his Power of Attorney and that he had obtained the approval of Mr. Sohail Khan and his brother for carrying out the

transactions on the GESS account. We are, for the reasons discussed above, unable to confirm whether this was the case, or whether the true beneficial owners consented to the transactions.

Whilst we have traced in Capcom's records a substantial silver bullion position in the GOOD account at the time Mr. Akbar has told us that these transactions were effected, we have seen no evidence to support Mr. Akbar's assertion that the opposing position was taken in the GESS account. It appears to us that this position was taken in the ZITS account. It is however quite clear (as Mr. Akbar has admitted) that whilst this action limited Capcom's credit risk in the situation to that already existing, it did nothing to reduce that risk. The GOOD account was permitted to retain a substantial silver position showing a large loss which was not covered by margin. This represented a significant credit risk which would have increased further if the price of silver had continued to move adversely. In fact, the price of silver moved in favour of the GOOD account, but this created a large loss on the GESS (or ZITS) account which, we have been told, was subsequently reimbursed. The end result was that the GOOD account effectively realised the loss that was inherent in its position at the time of the covering transaction, plus interest on the amount reimbursed to GESS. The arrangement did protect the short term liquidity position of Capcom and limit Capcom's exposure to loss, but the question arises in my mind of whether the arrangement was in the best interests of either customer. GOOD ended up realising the full amount of the inherent loss (plus interest) and GESS (if it was GESS) incurred a loss and took the risk that GOOD would not reimburse that loss.

Whatever the motive or account used (be it GESS or ZITS) it once again appears to me to be an extraordinary way to conduct an investment business, to arrange for one account to take a loss to the benefit of another, albeit that Mr. Akbar has told us that this loss was subsequently reimbursed, so that the liquidity position of the firm could be supported.

Finley transactions

The $11 million receipt into the GESS account which, according to Mr. Akbar, compensated GESS for the silver bullion covering

transaction, was one of three receipts from Finley in September 1988. In total $20.5 million was received by Capcom and credited either to the GOOD or GESS accounts on Mr. Akbar's instructions. Mr. Akbar has explained the rationale for each of the three receipts but neither he nor anyone else has been able to provide us with any documentary evidence to support the validity of crediting the accounts used.

We have not seen any evidence to indicate the source of the funds, but Mr. Akbar has told us that they were remitted by Mr. Al Fathi Tawfick, the chairman of El Rayan, to start a property fund. I understand that Mr. Al Fathi Tawfick is now dead, El Rayan has been placed in the control of the Egyptian authorities, and that there is concern that the directors had misapplied investor's money. It seems to me that there must exist the risk that the funds were either not remitted by Mr. Al Fathi Tawfick in the first instance and that, whether they were or not, they may have been subsequently misapplied and are subject to repayment to the proper authority. In the circumstances, it seems to me that it will be difficult to obtain confirmation of the source of the funds and the properness of their application. At the very least, Mr. Akbar has, in my opinion, failed to observe proper standards of accountability and disclosure in relation to these transactions.

Capcom Bankers

We have been informed that Capcom Bankers was established in order to provide Capcom's Egyptian clients with a credible deposit taking service yielding good rates of interest. Although we have been informed that it was Mr. Puri who was principally responsible for setting up the company, Mr. Akbar played a part and he is, together with Mr. Puri, a shareholder. We have not been provided with documentation to support what we have been told about the corporate constitution of Capcom Bankers and we have been told that it does not maintain any accounting records.

From the explanations that we have received, I do not understand why Egyptian banks should wish to deposit money on an unsecured basis with a bank registered in Vanuatu and I find the stated rationale for its existence unconvincing. I believe that its

activities and the relationship of those activities with Capcom needs further investigation to determine whether there are any infringements of the Banking Act 1986. One thing, however, that is clear to me is that Capcom Bankers is taking deposits of significant amounts from Egyptian banks and is not maintaining proper records of this activity. Mr. Akbar, by virtue of his shareholding in Capcom Bankers and his prominent position in Capcom, is in part responsible for this shortcoming and, for the same reason, is likely to be responsible if further enquiry concludes that there has been an infringement of the relevant banking legislation.

From what we have seen, representations were made to the representatives of at least one Egyptian bank that Capcom Bankers was part of the Capcom group of companies. If Mr. Akbar and Mr. Puri are the shareholders, this is clearly not the case and, in my opinion, their shareholdings may present them with undue conflicts of interest with their positions as shareholders in and former directors of Capcom.

Summary

In each of the cases discussed above, and in other cases discussed previously in this Affidavit, Mr. Akbar has been responsible for transactions in very significant sums of money in respect of which he appears to have taken no steps whatsoever in order to ensure that proper documentation exists to justify those transactions. He has used client accounts (particularly the GESS account) as if they were his own bank accounts. He has frequently relied on the alleged authority of Powers of Attorney, but has not been able to demonstrate to us that his actions in so doing are supported by the beneficial owners of the accounts concerned. Even if Mr. Akbar is able subsequently to produce relevant supporting documentation and the full agreement to his actions of the beneficial owners of accounts over which he holds Powers of Attorney, I believe that in many of his actions he has not acted in a manner appropriate to the position of director or controller of an investment business and consequently is not fit and proper so to do.

Mr. Akbar's Brother

We have not met Mr. Akbar's brother, but we have been made aware of his involvement with Capcom and its client base at various points in our investigation. We have been told by Mr. Puri that Mr. Akbar's brother provided a significant proportion of the finance for Mr. Puri's 14.48 per cent shareholding in Capcom. We have been told by Mr. Akbar that his brother arranged the financing, by General Securities, of his own purchase of Sheikh Khalil's 33 per cent shareholding in Capcom. Once again, we have not been provided with any documentation to support the terms of these financing arrangements, but it appears to me quite likely that Mr. Akbar's brother is in a position to exercise significant influence over both the shareholdings so financed. If he is thus able to control the exercise of voting power associated with the shares, he will fall within the definition of a controller of Capcom.

From what we have been told, I do not consider that Mr. Akbar's brother is a fit and proper person to be a controller of an investment business. I have discussed above the alleged involvement of Mr. Akbar's brother in consenting to the artificial profit switching arrangements on the GESS and FUND accounts and the GOOD/GESS silver bullion position covering arrangement. In so consenting, Mr. Akbar's brother has demonstrated that he is prepared to permit purely artificial transactions for the benefit of his brother's reputation and transactions without any economic justification for the benefit of the liquidity of Capcom to be carried out on an account over which he has an element of control. In the case of the artificial profit switching transactions, he would have apparently benefitted personally from the increase in the Fund's profitability.

The further significant set of transactions with which Mr. Akbar's brother is associated is the loss on the TWOY 2 account in March 1987 and its subsequent reimbursement. Mr. G.R. Khan has told us that Mr. Akbar's brother arranged four loans of $5.5 million each from BCCI in the names of four companies controlled by Mr. Khan and remitted these sums to Capcom. The funds were received by Capcom designated as having originated from these companies. I find it hard to imagine what legitimate purpose could have caused Mr.

Akbar's brother to remit funds in this way. The TWOY 2 account was nominally his own account (although we have been told that he may have been operating it on behalf of others); I see no reason why the funds could not have been borrowed by him and remitted in his name to Capcom. This is one further example of actions apparently designed to conceal and mislead rather than demonstrate proper standards of accountability and disclosure.

Shareholding arrangements

I have discussed above the evidence that points to the fact that Mr. Akbar's brother has arranged finance for the purchase of 47.48 per cent of Capcom's shares. Mr. Akbar himself owns 24 per cent of Capcom's shares excluding the 33 per cent financed by General Securities. [Sale to Pharoan]. Again, as I have discussed above, we have not seen documentary evidence supporting the financing arrangements and it is thus possible that arrangements may exist between Mr. Akbar, his brother, Mr. Puri and General Securities or others which further complicates the beneficial ownership of Capcom's shares. On the basis of evidence available to us, however, it is quite possible that between them, Mr. Akbar and his brother are in a position to exert significant influence over, and possibly beneficially own, 71.48 per cent of Capcom's shares. It is also possible that the beneficial ownership of these shares may ultimately rest elsewhere and that Mr. Akbar and his brother are acting merely as nominees.

The transaction about which most doubt seems to exist is the sale of Sheikh Khalil's shares. Despite the fact that we have seen a contract specifying that the shares were sold to Mr. Akbar for a consideration of £4 million, Mr. Akbar has told us that it was not intended that he should assume beneficial ownership of these shares and that the consideration was in fact £8.25 million, the balance being satisfied by the cancellation of a loan from General Securities to Sheikh Khalil. Mr. Akbar is unclear as to who is the beneficial owner of the shares, and has apparently suggested that it is still Sheikh Khalil as he is still able to exercise the voting rights attached to the shares. Sheikh Khalil has, however, informed us that he considers that he has disposed of his shareholding. Beneficial ownership of the shares therefore appears to lie either with Mr. Akbar or General Securities.

under the sale agreement by a payment debited to the GESS account. This payment was made at a time when the account was already overdrawn and Capcom may therefore have breached section 151 of the Companies Act 1985 which prohibits a company providing financial assistance for the purchase of its own shares. If this is the case, then by arranging and authorising the transaction Mr. Akbar has been directly responsible for causing Capcom to breach company law, a further indication of his not being a fit and proper person to act as a director or controller of an investment business.

Financial position

The draft calculation of Capcom's financial resources at 31st October 1988 set out previously in this Affidavit shows that Capcom has excess financial resources of £11.2 million under AFBD Rules. This calculation, however, is made before any account is taken of the potential adverse effect of providing a sum in respect of liability under the artificial profit transactions, or of Capcom being liable to reimburse funds placed to the credit of various accounts without the knowledge or approval of the remitter. I make the latter point because I have been presented with no documentary evidence to support the fact that a number of significant receipts should have been placed to the credit of the accounts that were actually credited. I discuss some specific examples of such receipts in the following paragraphs.

Firstly, in total $42 million (approximately £24 million) was remitted during the period from February to August 1988 and credited to the TWOY 2 account in order to repay the loss realised on the S&P 500 Futures transactions closed out in March 1987. $22 million was remitted from four companies under the control of Mr. G.R. Khan under the arrangements summarised above. $5 million appears to have been remitted by Mr. Akbar's brother himself and $15 million by Credit and Finance Corporation, Grand Cayman. We have not been presented with any evidence to identify the ultimate beneficial remitters of these funds nor to prove that they did, in fact, wish the funds to be placed to the credit of the TWOY 2 account and the possibility must therefore exist that these sums may be refundable. We have been informed that they were so placed on the instructions of Mr. Akbar.

was received by Capcom from Finley and placed to the credit of the GOOD and GESS accounts. Once again, I have seen no evidence to support the fact that these sums were properly applied on the instructions of their beneficial owner.

Thirdly, over $45 million (approximately £29.5 million) was received by Capcom over the period January to October 1988, mainly by bankers draft from Egyptian private individuals, and placed to the credit of the various GOOD accounts. By subsequent payments, trading and other transfers, these funds were spent or lost. I have seen no evidence to support the fact that these individuals realised that their funds were being applied in this fashion or that they realised the scale of loss making activity on the account. Given the current state of affairs of El Rayan and its directors, I would have thought it very likely that Capcom will be asked to explain its handling of this account and I believe that it is quite conceivable that Capcom will be asked to repay some or all of the funds remitted.

Fourthly, approximately £1.6 million was credited to the TWOY and GESS accounts representing the discharge of the loan from Sheikh Nooruddin to FAS relating to the purchase of the FAS property. I have seen no evidence to suggest that these credits validly discharged the loan from Sheikh Nooruddin, and if they did not, he will therefore be a creditor of Capcom for that amount.

I believe that in the case of all the above remittances, the fact that the company cannot provide evidence of the proper application of these funds, or identify their remitter, leads to considerable uncertainty as to the financial position of Capcom.

Not only is the current financial position of Capcom in doubt, but its future profitability is also questionable. The accounts that have earned Capcom the majority of its revenue in the past have now ceased trading (the FUND, GESS, GOOD and PERV accounts earned 77 per cent of Capcom's revenue in the year ended 31st October 1988). Capcom recognises that it will have difficulty in replacing the business lost and has built up its marketing effort, helped by the

currently no indication that business volumes will reach their former levels, and that an operating loss of £1.5 million is forecast for the current year.

Capcom

The overall responsibility for the management of Capcom's affairs lies with the directors. The management of day-to-day operations is the responsibility of the executive directors and other appointed officers. Our investigation has principally concentrated on the period from January to November 1988, during which time Messrs. Akbar, Puri and Parry were the executive directors and Messrs. Romrell and Magness and Sheikh Khalil were non-executive directors. The other employee with the most significant responsibilities was Mr. Snow, the company secretary and chief accountant.

Even prior to his appointment as a director, we have been told that Mr. Akbar played a pivotal role in Capcom. We have been told that he was largely responsible for arranging its formation and was usually consulted on strategic decisions affecting the company. Clients introduced by him generated the majority of Capcom's business. His appointment as a director in February 1988 and his assumption of executive responsibilities in May 1988 therefore appears to have been a natural extension of his existing involvement in Capcom.

Despite his status in the affairs of the company, I am surprised that from all we have seen and been told, Mr. Akbar's instructions and wishes would be followed unquestioningly by his fellow executive directors, Mr. Snow and the dealing staff even before he became a director. On almost every occasion where we have sought information on the underlying nature of significant transactions or arrangements, we have been told that no documentary evidence exists to support those transactions or arrangements and that Mr. Akbar is the only person who could help us further.

both Messrs. Parry and Puri told us they had no knowledge or made no enquiry. Neither knew of the artificial profit switching transactions, nor the source of the Finley receipts or the reasons for crediting such large sums of money to the relevant accounts which were, at the time, heavily overdrawn. Both remembered broadly the GOOD/GESS position covering transaction, but were unaware of the relationship with the subsequent receipt of $11 million from Finley about which Mr. Akbar has told us. Despite the fact that both are directors of Capcom Bankers, Mr. Parry is very vague about the way in which it operates and both believe that it keeps no accounting records. Mr. Parry did not know that Mr. Akbar intended to trade the money received from Predilect for Capcom's account, rather than for Predilect's, and knew nothing of the side commission arrangement with Almas (Mr. Puri had ceased executive responsibility prior to the Predilect transactions). Neither knew anything about the arrangements concerning the repayment of the TWOY 2 outstanding balance, except that the balance had been outstanding for some time and that (although apparently only at the instigation of the auditors) Mr. Akbar's brother had in March 1988 signed a document acknowledging the then remaining debt and specifying repayment terms.

The fact that an unsecured debt amounting to over half of Capcom's net worth had been outstanding for nearly a year to that time did not appear to be a matter of serious concern to either. Also, the fact that the GESS and PERV accounts (both accounts introduced by FAS or Mr. Akbar) were in substantial overdraft for much of 1988 did not appear to be a matter of serious concern to either, nor did the source of receipts on the GESS account. Mr. Puri was not apparently concerned that both accounts had breached credit limits authorised by the board, and Mr. Parry did not even know that such limits existed.

While Mr. Puri knew that Sheikh Khalil had resigned as a director in February 1988, and Mr. Parry knew that Sheikh Khalil was considering his position, neither apparently enquired into the reasons for making a payment of £4 million to Sheikh Khalil from the GESS account, nor did they enquire further and ensure that the appropriate entries were made in Capcom's statutory books.

picture that emerges is that Messrs. Puri and Parry were accustomed to follow Mr. Akbar's instructions and make no enquiry into his actions or those of his brother. They were prepared to tolerate shortcomings in the resultant standards of accountability and disclosure at Capcom. They were prepared to make no enquiry into Mr. Akbar's handling of affairs on the GESS, FUND, ZITS, GOOD and PERV accounts and his brother's handling of the TWOY 2 account, all accounts on which, as I have noted above, questionable transactions of one form or another took place.

This raises in my mind the question of whether Messrs. Puri and Parry are fit and proper persons to be directors of an investment business. If Mr. Akbar and his brother (neither of whom, the available evidence suggests, are fit and proper persons) are controllers of Capcom and there is any doubt about whether Mr. Parry is a fit and proper person, the question also rises in my mind of what is left to support the fit and properness of Capcom itself. When the uncertainty over the financial position and future prospects of Capcom is added to these concerns, I consider that to allow the business to continue represents an unacceptably high risk to other investors and in my opinion there is little justification for Capcom being permitted to retain its authorisation as an investment business.

FAS

Apart from the transactions associated with the purchase and sale of FAS House, none of the unusual transactions discussed in this Affidavit has passed through the books of FAS. FAS is, however, inextricably linked to Capcom and many of these transactions by virtue of its close associations with Capcom and the clients concerned. FAS was formed solely to act as an introducing broker to Capcom and introduced the GESS and ZITS accounts to Capcom. It also acts as trading adviser to the Fund which benefitted from artificial profit switching transactions with the GESS account and other of Capcom's clients.

Our investigation has revealed two further factors relevant to a consideration of FAS's conduct of its investment business. Firstly, Mr. Akbar's actions in withdrawing £25,000 in cash from the GESS account and handing it to a Middle Eastern individual [whose name he cannot remember], while acting under the authority of the power of attorney granted to FAS, may constitute the handling of client money. FAS, being an introducing broker, is not permitted to handle client money. Secondly, if FAS's investment in ATC is fully disallowable for the purposes of the financial resources calculation, FAS has a deficiency of financial resources.

Whether or not FAS is deemed to be in contravention of the client money or capital adequacy rules, I believe that sufficient evidence exists to demonstrate that it is not a fit and proper person to carry on investment business. The fact that Mr. Akbar, who is not, in my opinion, a fit and proper person, is a major shareholder, and the fact of its close relationships with Capcom, the fit and properness of which I have serious doubts, are sufficient premises in my view to support this contention.

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STRICTLY PRIVATE AND CONFIDENTIAL

Your ref

Our ref

JD Orme Esq
Director of Enforcement
Securities and Investments Board
3 Royal Exchange Buildings
London
EC3V 3NL

29 March 1989

Dear Jeremy

I am writing as requested to set out the status of my draft affidavit resulting from the section 105 Financial Services Act 1986 investigation into the affairs of Capcom Financial Services Limited ("Capcom") and Futures Advisory Services Limited.

The draft was issued on 20 January 1989 and reflected the results of the enquiries carried out by myself and my partner, Michael Wheeler, which were, as stated in the draft, substantially completed by 22 December 1988. The draft does not therefore incorporate any information on events beyond that date. In five places in the draft, I have, however, indicated by noting in square brackets where amendments may be required to reflect information that was advised to us by Capcom, its solicitors or Mr Akbar's solicitors between 22 December 1988 and the date of issue of the draft. These amendments may need further verification by us before we issue the final version. They principally relate to:

- Capcom's opinion on the artificial profit transactions
- The proposed arrangements to dispose of Mr Akbar's shares
- The identity of the individual to whom Mr Akbar passed £25,000 in cash

On the basis described above, the draft affidavit is to the best of my knowledge and belief accurate although, as I mentioned in my covering letter of 20 January 1989, we will have to consider the drafting with lawyers before finalisation. Meanwhile I have no objection if it is shown on the above basis in its unsworn form in confidence to persons directly authorised by you.

Yours sincerely

IG Watt

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

The address for the purposes of Section 4, Companies Names Act 1985 is 1 Puddle Dock, Blackfriars, London EC4V 3PD at which a list of partners' names is available for inspection

DRAFT AFFIDAVIT OF IAN GLENDINNING WATT

CAPCOM FINANCIAL SERVICES LIMITED
FUTURES ADVISORY SERVICES LIMITED

EXHIBITS

Number	
1	Authorities to investigate
2	Interviews held
3	Capcom shareholding analysis
4	Directors of Capcom since inception
5	Current shareholders in Capcom Futures Inc.
6	Sale agreement for Sheikh Khalil's shares in Capcom
7	Capcom client accounts
8	Capcom revenue analysis
9	Shareholders of the Capital Fund
10	Deal slips for GESS/FUND and ZITS/FUND transactions
11	Summary of profit switching transactions
12	Deal slips for GOOD/FUND and PERV/FUND transactions
13	Agreement between Capcom and Mr. R. Akbar for the settlement of debit balance
14	Letter to Middle East Bank from Finley International Limited
15	Chart of silver price movements
16	Client ledger showing trades done by GOOD and ZITS in silver
17	Documentation supporting $2.3 million payments to Finley by GOOD
18	Letter from Mr. Akbar to Shoaib Lakhany of Capcom
19	Copy of Mr. Akbar's desk diary for 12th September 1988
20	Summary of receipts and payments on the GOOD account
21	Newspaper article on Shakarchi Trading
22	Loan agreement between GESS and FAS
23	Schedule of movement of loans on FAS property transaction
24	Documentation supporting receipt of $25,000 from Hardeman Company Limited

Number	
25	Documentation supporting receipt of $500,000 from Sandart Limited
26	Summary of receipts and payments on the GESS account
27	Confirmation of receipt of funds by Capcom to Predilect
28	Letter from Almas Holding Limited to Capcom re commission
29	Minutes of meeting held on 12th October 1988
30	Letter from Almas Holdings Limited to Capcom

Exhibit 1(i)

CAPCOM FINANCIAL SERVICES LTD

AUTHORITY TO INVESTIGATE

1. The Securities and Investments Board ("the Board") in the exercise of the powers conferred by sections 105 and 106 of the Financial Services Act 1986 ("the Act") and now exercisable by the Board, hereby authorises the following persons namely MICHAEL WHEELER and IAN WATT both of Peat Marwick McLintock of 1 Puddle Dock, Blackfriars, London EC4V 3PD, to exercise jointly or severally on behalf of the Board all the powers conferred by section 105 of the Act for the purposes of investigating the affairs of Capcom Financial Services Ltd in so far as they relate to any investment business which is or has been carrying on, or appears to be or have been carrying on.

2. This authority is given it appearing to the Board that there is good reason to exercise the powers contained in section 105 of the Act for the purposes of investigating the affairs of Capcom Financial Services Ltd .

Dated the 27th day of October 1988

Signed

Director of Enforcement
on behalf of the Board

Exhibit 1(ii)

CAPCOM FINANCIAL SERVICES LTD

AUTHORITY TO INVESTIGATE

1. The Securities and Investments Board ("the Board") in the exercise of the powers conferred by sections 105 and 106 of the Financial Services Act 1986 ("the Act") and now exercisable by the Board, hereby authorises the following persons namely MICHAEL WHEELER and IAN WATT both of Peat Marwick McLintock of 1 Puddle Dock, Blackfriars, London EC4V 3PD, to exercise jointly or severally on behalf of the Board all the powers conferred by section 105 of the Act for the purposes of investigating the affairs of Capcom Financial Services Ltd in so far as they relate to any investment business which is or has been carrying on, or appears to be or have been carrying on.

2. This authority is given it appearing to the Board that there is good reason to exercise the powers contained in section 105 of the Act for the purposes of investigating the affairs of Capcom Financial Services Ltd .

Dated the 27th day of July 1988

Signed

Director of Enforcement
on behalf of the Board

EXHIBIT 2

CAPCOM FINANCIAL SERVICES LIMITED
FUTURES ADVISORY SERVICES LIMITED

INTERVIEWS HELD

DATE	INTERVIEWEE
7th November, 1988	Mr G.R. Khan
15th November, 1988	Mr J. Parry
16th November, 1988	Mr S.Z.A. Akbar
18th November, 1988	Mr J. Parry
24th November, 1988	Mr A.K. Puri
29th November, 1988	Mr J. Parry
12th December, 1988	Mr S.Z.A. Akbar
14th December, 1988	Mr A.K. Puri
15th December, 1988	Mr G.R. Khan
19th December, 1988	Mr J. Parry

SHAREHOLDERS IN CAPCOM FINANCIAL SERVICES LIMITED

Name	Original issue	Transfers	Issue in June 1984	Transfer	Issue in Oct. 1984	Issue in June 1985	Transfers	Shareholding at 31 Oct. 1988
John Regan	1	(1)	NIL		NIL	NIL		
S.F.Walford	1	(1)	NIL		NIL	NIL		
Jane Cooke		1	NIL		NIL	NIL		
		(1)						
A.K.Puri		2	49,998	100,000	1,350,000	2,370,000	(250,000)	3,620,000
K.I.Adham			170,000		1,530,000	2,550,000	(1,250,000)	3,000,000
A.R.H.Khalil			200,000		1,800,000	3,000,000	3,250,000	8,250,000
C.D.S.Williams			100,000	(100,000)	NIL	NIL		
E.E.Eljawhary			150,000		1,350,000	2,250,000	(2,000,000)	1,750,000
L.E.Romoell			110,000		990,000	1,650,000	(2,500,000)	250,000
R.E.Powell			150,000		1,350,000	2,250,000	(3,500,000)	250,000
H.Magness			10,000		90,000	150,000		250,000
H.R.Pharaon			10,000		90,000	30,000		130,000
Gosella S.A			50,000		450,000	750,000		1,250,000
S.Z.A.Akbar							6,000,000	6,000,000
M.Saghir							250,000	250,000
TOTAL	2		999,998		9,000,000	15,000,000		25,000,000

Exhibit 3

Exhibit 4

DIRECTORS OF CAPCOM FINANCIAL SERVICES LIMITED SINCE INCEPTION

NAME	DATE OF APPOINTMENT	DATE OF RESIGNATION
S.F.Walford	27th April,1984	8th May,1984
A.K.Puri	8th May, 1984	9th Sept.,1988
L.E.Romrell	6th June, 1984	21st Oct., 1988
B.Magness	6th June, 1984	20th Oct., 1988
Sheikh A.R.H.Khalil	6th June, 1984	3rd Feb., 1988
S.J.Saunders	20th June, 1984	19th Nov., 1987
J.C.F.Parry	25th Feb., 1985	
S.Z.A.Akbar	5th Feb., 1985	13th Oct., 1988
S.Serageldin	16th Nov., 1988	
M.R.Stewart	16th Nov., 1988	

Exhibit 5

CAPCOM FINANCIAL SERVICES LIMITED
SHAREHOLDERS IN CAPCOM FUTURES INC.

	%
Mr. L.E.Romrell	16
Mr. B.Magness	4
Mr. A.K.Puri or Mrs. A.K.Puri	10
Mr. R.E.Powell	10
Mr. M.Saghir	19
Mr. S.Z.A.Akbar	28
Zask Investments and Trading Limited	9
Capcom Financial Services Limited	4
	100

Exhibit 6

AGREEMENT

This agreement is made this 3rd day of February 1988 between Sheikh Abdul Rauf Hasan Khalil of P O Box 14032, Jeddah 21424, Saudi Arabia (Seller) and Syed Ziauddin Ali Akber of 22 Basinghill, London EC2 (Buyer).

WHEREAS-

1) Seller agrees to sell and Buyer agrees to buy 8,250,000(Eight million two hundred and fifty thousand) ordinary shares of £1 each fully paid in Capcor Financial Services Limited (Regd No 1811865) which are presently owned by the Seller.

2) Five million of these shares are registered in the name of the Seller; Two million of these shares are registered in the name of Elsayed Eljawhary as nominee for the seller; one million two hundred and fifty thousand shares are registered in the name of Sheikh Kamal Ibrahim Adham as nominee of the Seller.

3) The consideration for this sale is the sum of £4,000,000 (four million pounds sterling) payable by bank draft upon execution of this agreement. By signing this agreement Seller confirms receipt of the Bank Draft.

4) Seller undertakes to execute the necessary transfer forms for these shares as requested by the Buyer.

5) Buyer agrees that with the signing of this agreement, Buyer will take over from the Seller all the responsibilities of being a Shareholder of Capcor Financial Services Limited. With the signing of this agreement all our previous accounts from 1976 todate have been fully settled and we have no claims whatsoever outstanding against each other.

SIGNED BY THE SELLER A.R. Khalil

IN PRESENCE OF MR. REX WINN

SIGNED BY THE BUYER

IN PRESENCE OF Noor-ally

Mrs. Nasheerkhatoon Noor-ally

CAPCOM FINANCIAL SERVICES LIMITED

CLIENT ACCOUNTS

Account code	Name	Date A/C opened*	Type of investor*	FAS client	Power of Attorney
FUND	The Capital Fund	Sept. 1985	E	YES	NONE
GESS	General Securities Corporation	13/5/1986	E	YES	FAS
GOOD	EL-Rayan Trading Company	Not known	E	NO	NONE
PERV	Mr. Parvez Shahid	Not known**	E	NO	NONE
TWOY2	Mr. Raziuddin Ali Akbar	25/10/1984**	E	NO	Mr. Akbar
ZITS	ZASK Investments & Trading Ltd.	27/9/1984	E	YES	Mr. Akbar

* Information supplied by Mr.S.Perrera, Compliance officer. E - experienced
** Client data files not available

Exhibit 9

CAPCOM FINANCIAL SERVICES LIMITED

SHAREHOLDERS OF THE CAPITAL FUND AS AT 30TH SEPTEMBER, 1988

NAMES OF SHAREHOLDERS

S. Khan

R. Siddiqi

Lindar Limited

S. Adham

F. Adham

Sara Adham

N. Adham

Sheikh K. Adham

Binham

Mr. Jamshed Ali

R.U. Akbar

Mr & Mrs A. Khan

A. Jamal Hassan

S. Akanni

Assad M. Khawaja

S. Ayyubi

Enterprise Express Ltd

Exhibit 30

▲ M.M.A.S HOLDINGS LIMITED

[illegible]

DUPLICATE

ORIGINAL SENT THRU WEST END COURIERS
ON FRIDAY, 14TH OCTOBER 1988

SIGNED FOR BY 'BLUTA' OF CAPCOM

October 13, 1988

STICTLY PRIVATE AND CONFIDENTIAL

Capcom Financial Services Limited
9-13 St. Andrew Street
London EC4A 3AE

Dear Sirs,

PREDELICT INVESTMENTS, BRITISH VIRGIN ISLANDS

I certify that the above mentioned company is wholly beneficially owned by the Nigerian National Petroleum Corporation, Lagos, Nigeria.

I also certify that the funds of US$9,999,623.00 sent to Capcom Financial Services Limited on 3rd October 1988 are in no way related to drugs transactions.

These declarations are made on the basis of my full personal knowledge of these facts.

Yours faithfully,

A. Shail
Managing Director

[illegible]

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
10-Feb-88	($150,000)	DW & AKP	Payment made according to a telex instruction marked for the attention of J.Parry from Ahmed Tawfick. Payment made to Shakarchi Trading AG, attention David Mehanne. Shakarchi Trading have according to a recent press article been linked to money laundering.
11-Feb-88	$1,400,000	DW & PS	Source of funds not known.
11-Feb-88	$99,770	DW & PS	Cheque drawn to the order of GR Khan
11-Feb-88	$8,087		Source of funds not known.
15-Feb-88	$200,000	BN & AHK	Cheque drawn to the order of Nabil Said Moussa
15-Feb-88	$250,000	BN & AHK	Cheque drawn to the order of Sayed Hassan Abdel Hafiz.
16-Feb-88	$34,660	BN & AHK	Cheque drawn to the order of Deyaa El Dein Akbar
16-Feb-88	$200,000	DW & AHK	Cheque drawn to the order of CAPCOM Financial Services Ltd.
16-Feb-88	$10,000	DW & AHK	Cheque drawn to the order of Adel Mikhail Abdel Messih
17-Feb-88	$249,965	BN & AHK	Cheque drawn to the order of GR Khan
18-Feb-88	$700,000	DW & BN	Source of funds not known.
18-Feb-88	$400,000	BN & AHK	Cheques drawn to the order of the following -Sayed Hassen Abdelhafiz $250,000 -Ahmed Saleh Sayed Ahmed $150,000
18-Feb-88	$162,000	BN & AHK	Wire transfer from Mrs F.Elsayed Mansi.
18-Feb-88	$65,500	BN & AHK	Cheque drawn to the order of Nabil Said Moussa

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

Exhibit 207(111)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
1-Feb-88	$28,000	BN & PS	Cheque drawn to the order of Magdy Mohamed Soliman
2-Feb-88	$6,965	BN & PS	Cheque drawn to the order of Mr Z Akbar
3-Feb-88	$1,249,920	BN & PS	Cheque drawn to the order of Sahar Mohamed Abou Bakr Aly Lotfy
3-Feb-88	$500,000	BN & PS	Wire transfer received from Geza Finance Corp[. Telex instruction addressed to J.Parry/ Rafat.
3-Feb-88	$1,249,900	BN & PS	Wire transfer received from Egyptian Gulf Bank
5-Feb-88	$516,384	DW & PS	Cheques drawn to the order of the following -Nabil Said Moussa $80,000 -Moustafa Eissa Afifi $150,000 -Aly Abdel Aal Ramadan $149,900 -Said Hasan Abdel Hafyez $136,484
5-Feb-88	$411,900	DW & PS	Three cheques drawn to the order of Nabil Said Moussa
5-Feb-88	$890,000	DW & PS	Cheque drawn to the order of El Rayan Transactions Co.
8-Feb-88	$199,800	DW & PS	Cheque drawn to the order of El Saket Mohamed
9-Feb-88	$90,400	DW & PS	Cheque drawn to the order of Aly Abdel Aal Ramadan
9-Feb-88	$1,000,000	DW & PS	Source of funds not known.
9-Feb-88	$179,400	DW & PS	Source of funds not known.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

2.

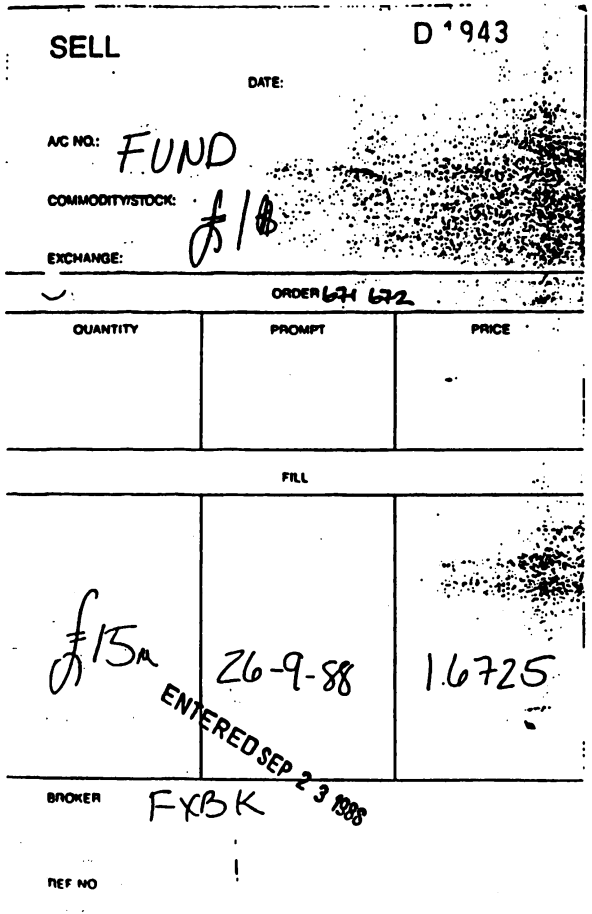
Exhibit 20(ii)

CAPCOM FINANCIAL SERVICES LIMITED

REVENUE BY CLIENT FOR THE YEAR ENDED 31ST OCTOBER,1988

CLIENT	FUTURES	FOREIGN EXCHANGE	BULLION	OTHER	TOTAL
	£'000	£'000	£'000	£'000	£'000
AFEX	52	50			102
FUND	534	200			734
FUND 2	45				45
GESS	78	150		150	378
GOOD	2,062	1,270	600	185	4,117
NISH		150			150
NOTY	264	153			417
PERV 2	59	150	50		259
X-ACCOUNTS	306	200	148	100	754
OTHERS	214				214
	3,614	2,323	798	435	7,170

Exhibit 8



SELL D 1943

DATE:

A/C NO.: FUND

COMMODITY/STOCK: £/$

EXCHANGE:

ORDER 671 672

QUANTITY	PROMPT	PRICE

FILL

£15M	26-9-88	1.6725

ENTERED SEP 23 1988

BROKER FXBK

REF NO

BUY G 2563

DATE:

A/C NO.: GESS

COMMODITY/STOCK: £/$

EXCHANGE:

ORDER 669 670

QUANTITY	PROMPT	PRICE

FILL

£15M	26-9-88	1.6725

ENTERED SEP 23 1988

BROKER FXBK

REF NO

Exhibit 10(i)

SELL D1: 4

DATE:

A/C NO.: GESS

COMMODITY/STOCK: £1$

EXCHANGE:

ORDER 667 668

QUANTITY	PROMPT	PRICE

FILL

£15	26-9-88	1.6655

ENTERED SEP 2 3 1988

BROKER: FXBK 1

REF NO:

BUY G2564

DATE:

A/C NO.: FUND

COMMODITY/STOCK: £1$

EXCHANGE:

ORDER 665-666

QUANTITY	PROMPT	PRICE

FILL

£15	26-9-88	1.6656

ENTERED SEP 2 3 1988

BROKER: FXBK

REF NO:

Exhibit 10(ii)

Exhibit 10(iii)

BUY

DATE

A/C NO: CND

COMMODITY/STOCK 1/8

EXCHANGE

ORDER 717 - 718

QUANTITY | PROMPT | PRICE

FILL

ENTERED SEP 30 1988
3/10/88

20M 1.6850

BROKER C-F-O-C

REF NO 1

SELL

DATE

A/C NO: CND

COMMODITY/STOCK 1/8

EXCHANGE

ORDER

QUANTITY | PROMPT | PRICE

FILL

ENTERED SEP 30 1988
3/10/88

20M 1.6850

BROKER C-F-O-C

REF NO 1

CAPCOM FINANCIAL SERVICES LTD
SUMMARY OF PROFIT SWITCHING TRANSACTIONS

CLIENTS INVOLVED	DATE OF TRANSACTION	F/X DEALING CURRENCIES	TRANSACTION AMOUNT MILLION	CAPCOM'S COMMISSION $	PROFIT MADE FUND $'000
GESS/FUND	31st March 1988	£/$	£8	NIL	36
	27th April 1988	£/$	£10	NIL	40
	28th April 1988	£/$	£25	NIL	125
	23rd May 1988	£/$	£40	NIL	200
	27th June 1988	$/DM	$50	NIL	275
	27th June 1988	£/$	£40	NIL	320
	28th June 1988	£/$	£21	NIL	420
	29th June 1988	£/$	£40	NIL	400
	30th June 1988	£/$	£40	NIL	400
	19th Sept 1988	£/$	£25	NIL	200
	22nd Sept 1988	£/$	£10	NIL	20
	22nd Sept 1988	$/Y	$10	NIL	15
	23rd Sept 1988	£/$	£15	1,500	104
	27th Sept 1988	£/$	£10	NIL	58
	TOTAL			1,500	2,613
ZITS/FUND	30th Sept 1988	£/$	£20	NIL	150
GOOD/FUND	23rd Sept 1988	£/$	£9	2,700	35
	27th Sept 1988	Gold	25,000ozs	NIL	100
	TOTAL			2,700	135
PERV/FUND	28th Sept 1988	Gold	25,000ozs	NIL	100

BUY

DATE:

A/C NO: Good BV

COMMODITY/STOCK Gold

EXCHANGE

ORDER 699-700

QUANTITY	PROMPT	PRICE

FILL

1,000 oz	29/9	398.00

ENTERED SEP 27 1988

BROKER HSBCN

REF NO

SELL

DATE: BV

A/C NO: Good

COMMODITY/STOCK: Gold

EXCHANGE:

ORDER 697-698-6

QUANTITY	PROMPT	PRICE

FILL

1,000 oz	29/9	394.00

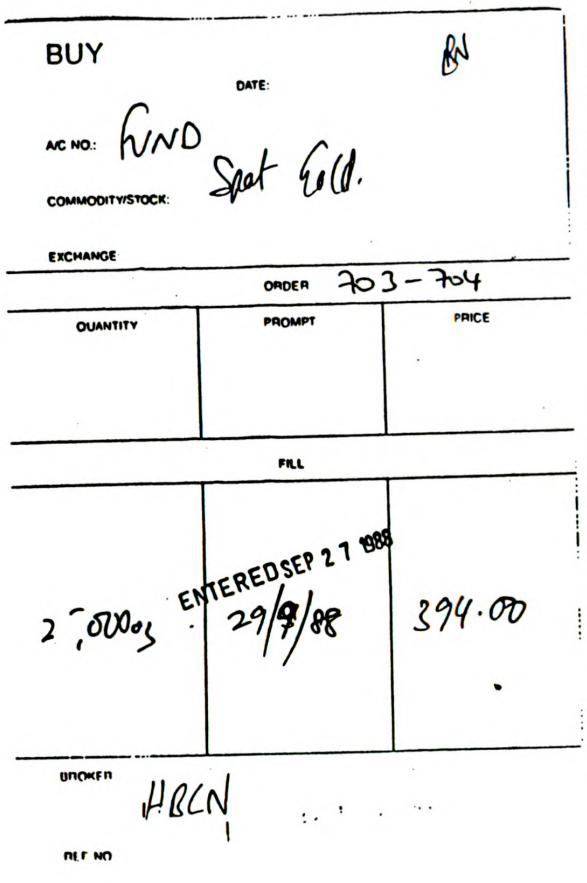
ENTERED SEP 27 1988

BROKER HSBCN

REF NO:

88 SE 27 19 72

Exhibit 12(4)



BUY

DATE:

A/C NO.: FUND

COMMODITY/STOCK: Spot Gold.

EXCHANGE

ORDER 703-704

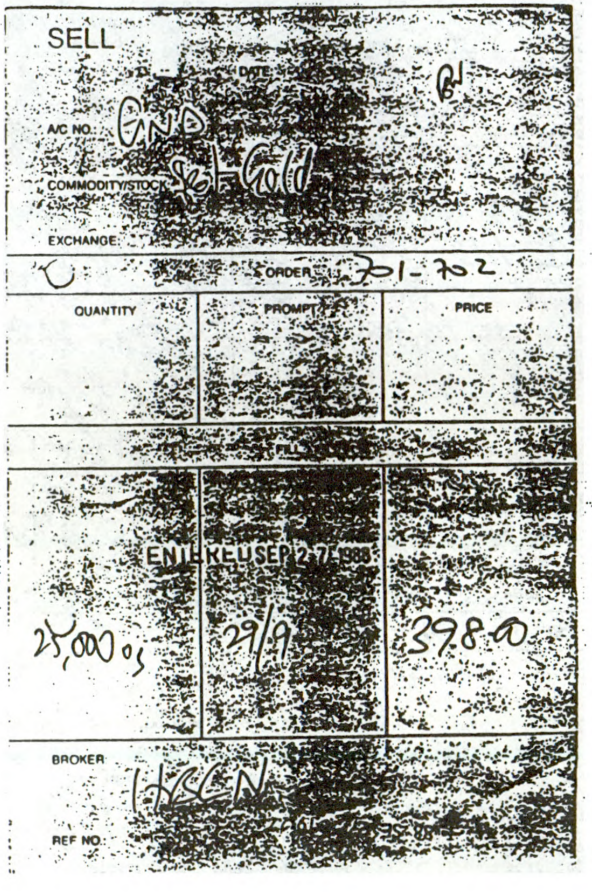
QUANTITY	PROMPT	PRICE

FILL

25,000oz	ENTERED SEP 27 1988 29/9/88	394.00

BROKER HBCN

REF NO



SELL

DATE

A/C NO. FND

COMMODITY/STOCK Spot Gold

EXCHANGE

ORDER 701-702

QUANTITY	PROMPT	PRICE

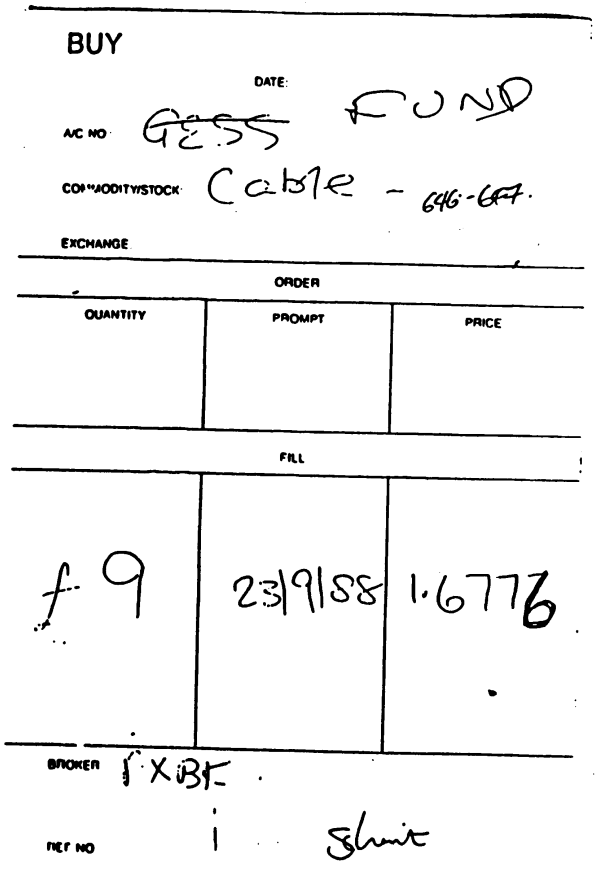
FILL

25,000oz	ENTERED SEP 27 1988 29/9	398.00

BROKER HSCN

REF NO.

Exhibit 12(ii)



BUY

DATE:

A/C NO: GESS FUND

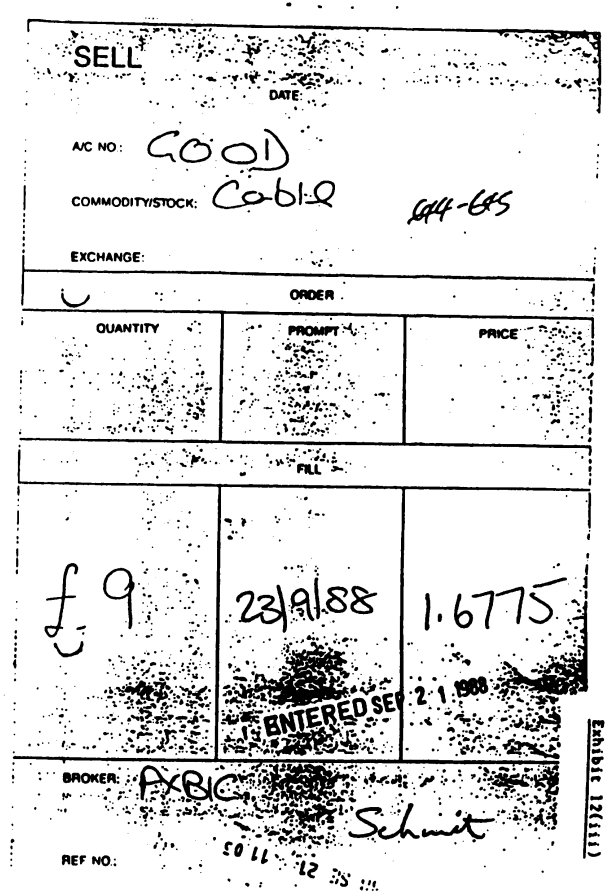
COMMODITY/STOCK: Cable - 646-647

EXCHANGE

ORDER		
QUANTITY	PROMPT	PRICE
FILL		
f 9	23/9/88	1.6776

BROKER: FXBK

REF NO: 1 Schmit



SELL

DATE:

A/C NO: GOOD

COMMODITY/STOCK: Cable 644-645

EXCHANGE:

ORDER		
QUANTITY	PROMPT	PRICE
FILL		
f 9	23/9/88	1.6775

ENTERED SEP 21 1988

BROKER: FXBC Schmit

REF NO.: 11 05 12

Exhibit 126(111)

SELL FUND

DATE:

A/C NO.: ~~GOOD~~ ~~GESS~~ TP

COMMODITY/STOCK: Cable 640-641,

EXCHANGE:

ORDER

QUANTITY	PROMPT	PRICE

FILL

£9	23/9/88	~~1.6817~~ 1.6815

BROKER: FXBIC

REF NO:

BUY

DATE:

A/C NO GOOD TP

COMMODITY/STOCK: Cable 642-643

EXCHANGE:

ORDER

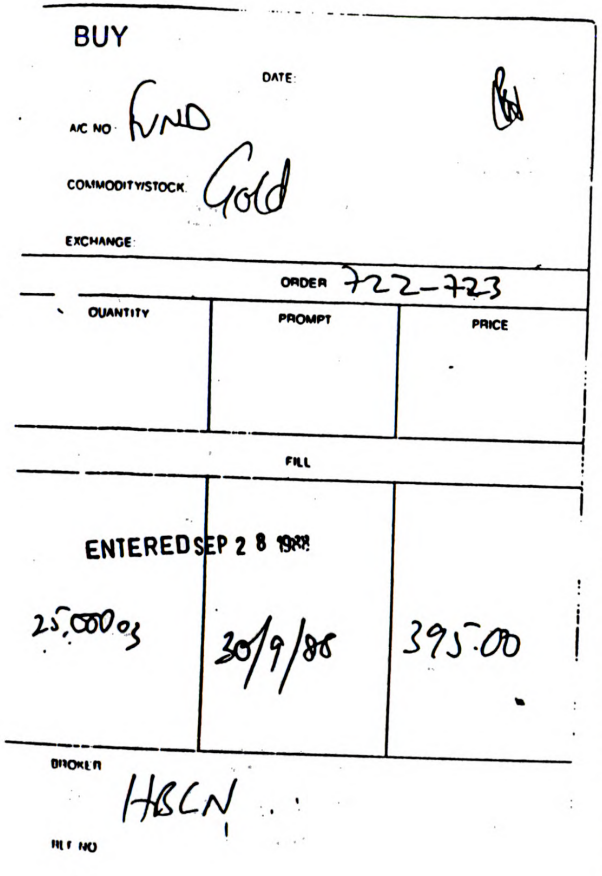
QUANTITY	PROM	PRICE

ENTERED SEP 21 1988

£9	23/9/88	1.6817

BROKER FXBIC

Exhibit 12(iv)



BUY

DATE:

A/C NO: FND

COMMODITY/STOCK: Gold

EXCHANGE:

ORDER 722-723

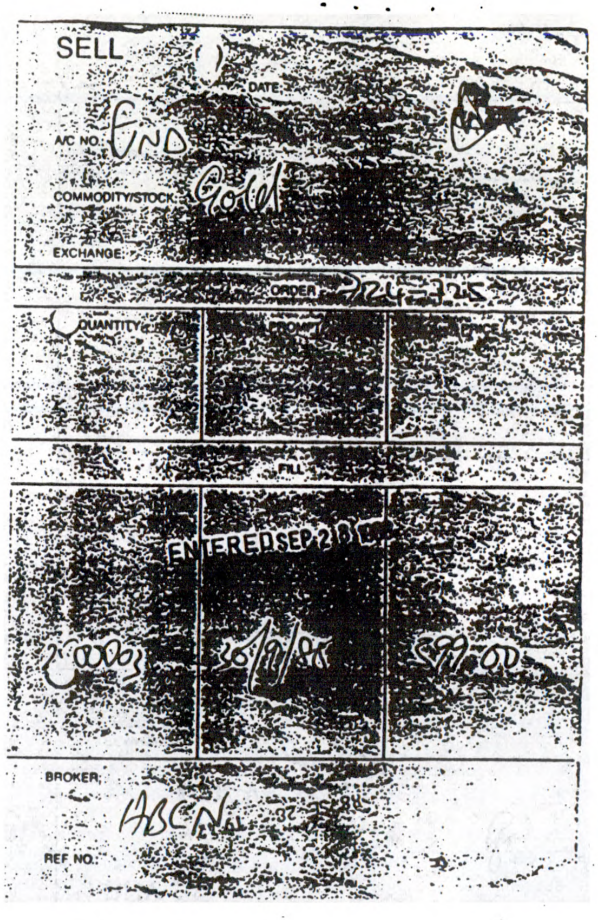
QUANTITY	PROMPT	PRICE

FILL

ENTERED SEP 2 8 19		
25.000 oz	30/9/86	395.00

BROKER: HSBCN

REF NO:



SELL

DATE:

A/C NO: FND

COMMODITY/STOCK: Gold

EXCHANGE:

ORDER 724-725

QUANTITY	PROMPT	PRICE

FILL

ENTERED SEP 2 8		
25.000 oz	30/9/86	395.00

BROKER: HSBCN

REF NO:

Exhibit 121(a)

SELL

DATE: 28

A/C NO.: PERV

COMMODITY/STOCK: Gold

EXCHANGE:

ORDER 718-719

QUANTITY	PROMPT	PRICE

FILL

25000	30/9	395.00

ENTERED SEP 2 8 1988

BROKER: HBCN

REF NO.:

BUY

DATE: 28

A/C NO.: PERV

COMMODITY/STOCK: Gold

EXCHANGE:

ORDER 720-721

QUANTITY	PROMPT	PRICE

FILL

25000	30/9	399.00

ENTERED SEP 2 8 1988

BROKER: HBCN

EXHIBIT 12(c)

Exhibit 13

AGREEMENT

This Agreement is made this ١٠ day of March 1988 between

CAPCOM FINANCIAL SERVICES LIMITED of 9-13 St Andrew Street, London EC4A 3AE ("BROKER")

and

MR SYED RAZIUDDIN ALI AKBAR of PO Box 8917, Muttrah, Sultanate of Oman ("CUSTOMER")

1) The CUSTOMER acknowledges that he is the owner of account TWOY2 maintained by the BROKER and that he is responsible for payment of the debit balance in that account.

2) The CUSTOMER acknowledges that the said debit balance stood at US$ 15,370,655.87 as at 29th February 1988 and that the balance continues to attract interest at a rate of 2% above the call deposit rate of Manufacturers Hanover Trust Company, London for the currency concerned. The CUSTOMER agrees that such interest may be debited to the account.

3) The CUSTOMER undertakes to clear the debit balance in the account in accordance with the following schedule.

i) Within 7 days of signing this Agreement - US$ 5,000,000

ii) By no later than 30th April 1988 - US$ 3,000,000

iii) By no later than 31st May 1988 - US$ 3,000,000

iv) By no later than 30th June 1988 - the debit balance remaining in the account

SIGNED BY THE CUSTOMER :

SIGNED ON BEHALF OF THE COMPANY :

Exhibit 14(ii)

FINLEY INTERNATIONAL LTD.

[illegible] Farm Road
Hatch
Hounslow
Middlesex
TW5 0AE

Telephone 01-577 8813
01-577 0426
Telex [illegible]

13 September 1988

The Manager
Middle East Bank
1 Lombard Street
London EC3

Dear Sir,

To the debit of our Account No.047 133 002 with you, kindly pay US$5,500,000/- (Five million five hundred thousand) to Capcom Financial Services Limited, London, account with you, ~~value 19~~ September 1988.

Thanks and regards.

Yours faithfully,

Sd/ Akbar

G R Khan

Exhibit 14(iii)

FINLEY INTERNATIONAL LTD.

[illegible]
[illegible]
[illegible]
[illegible]

Telephone [illegible]
Telex [illegible]

13 September 1988

The Manager
Middle East Bank
1 Lombard Street
London EC3

Dear Sir,

To the debit of our Account No.047 133 002 with you, kindly remit US$2,600,000/- (Two million six hundred thousand) value 19 September 1988, to Trade Development Bank, Geneva, Account RED ROSES with them.

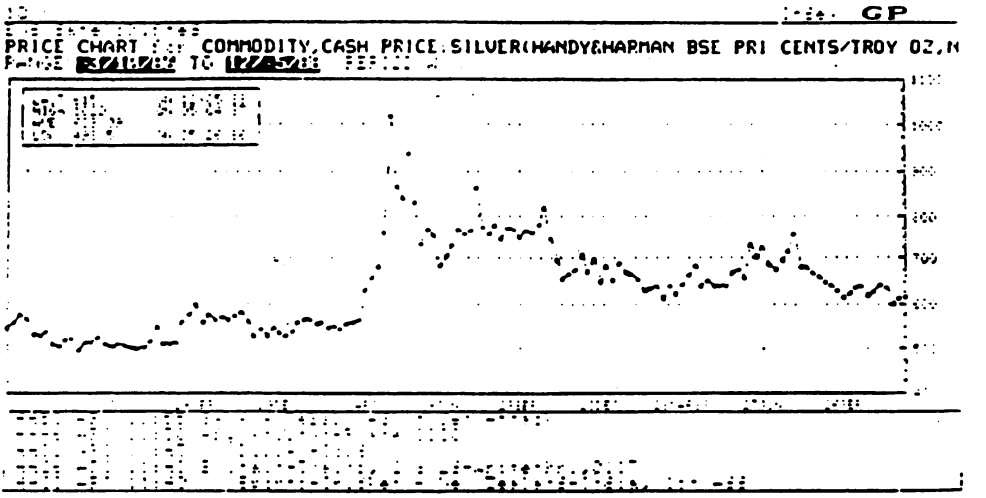
Thanks and regards.

Yours faithfully,

S Z Akber

G R Khan

Exhibit 15



THE BLOOMBERG

Exhibit 16(i)

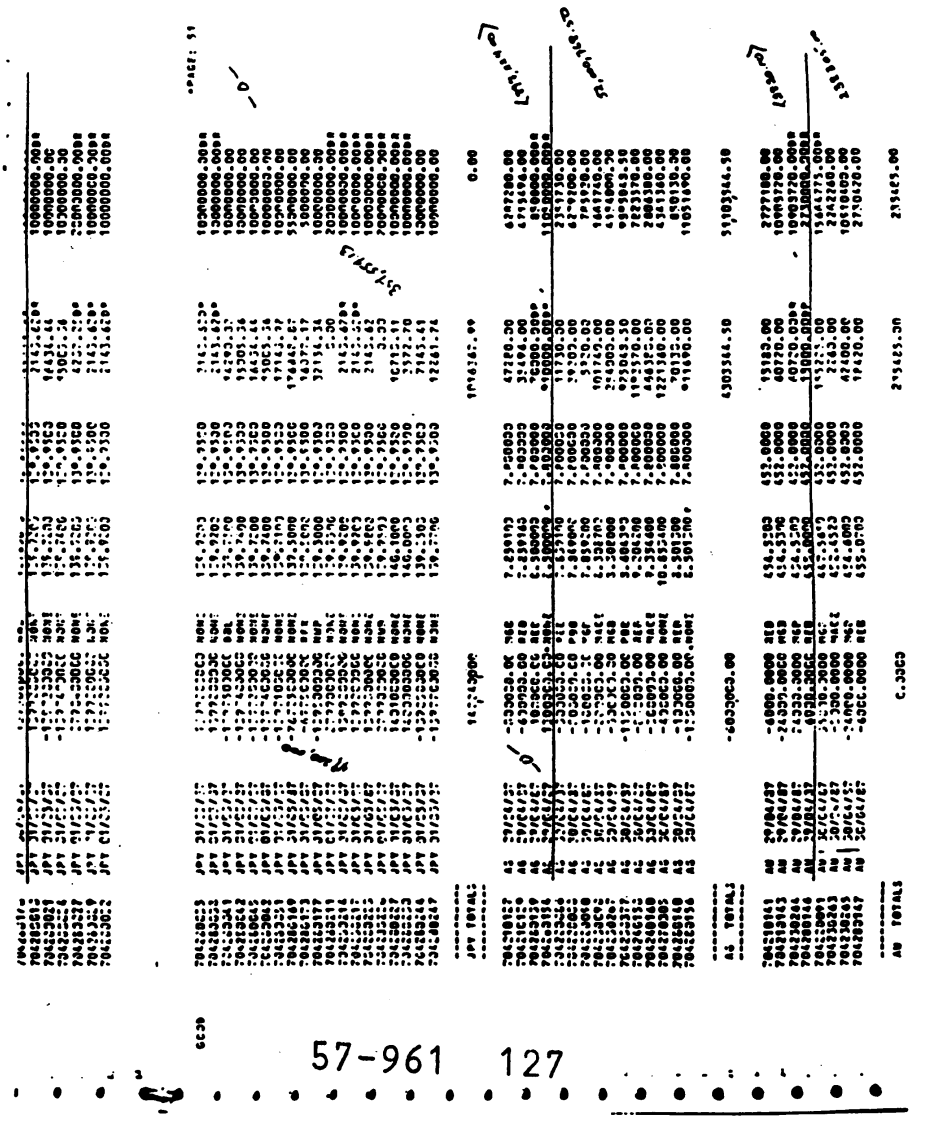
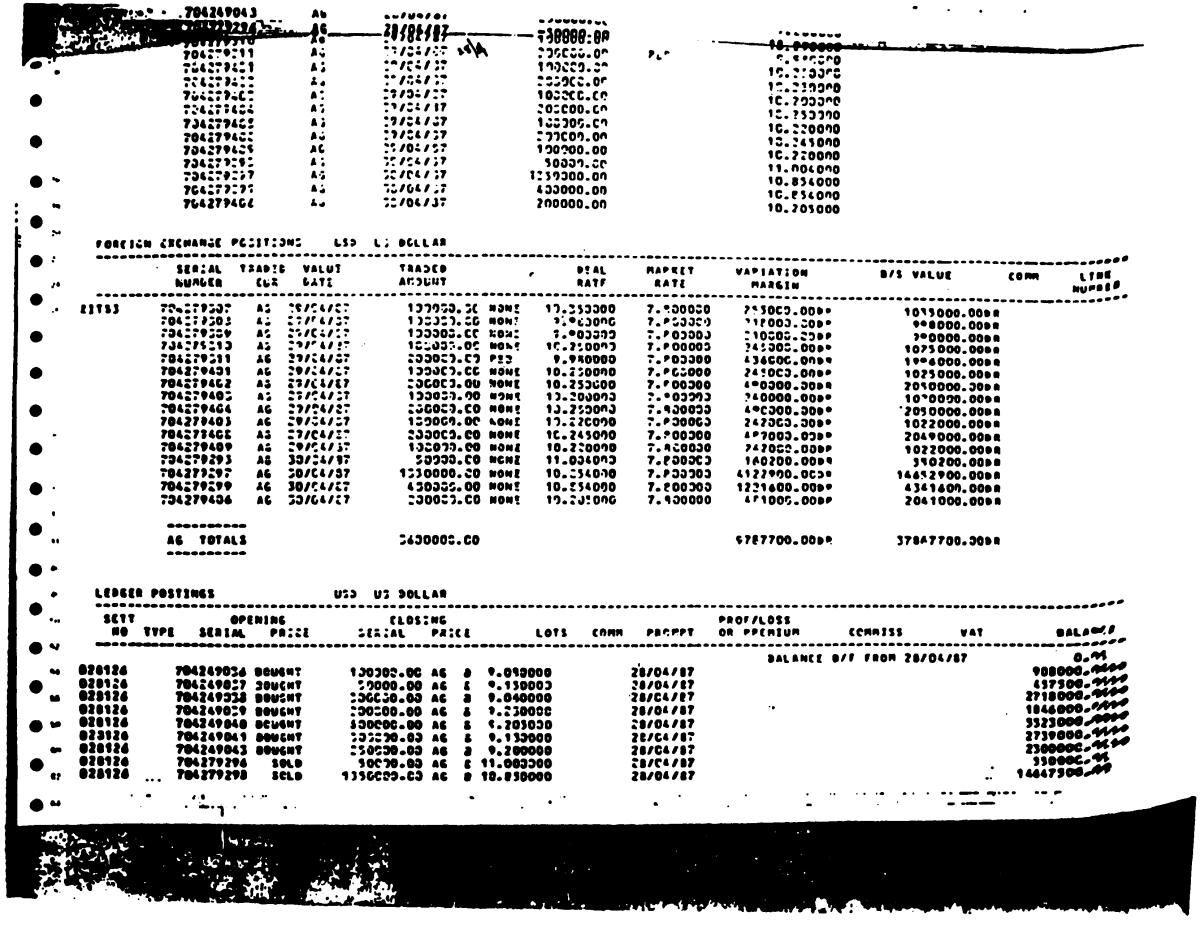


Exhibit 16(ii)



	7042499[illegible]	AS	[illegible]								
	[illegible]	AS	[illegible]								
	[illegible]	AS	[illegible]								
	7042794[

Exhibit 17(1)

CAPCOM

Payment Authorisation

Description/Details	Value Date	Amount	Debit Account
FUNDS PAID		Currency: USD.	
Re Client's Instructions.			GOOD IS. US. 6301.
Pay to: Bank of California, International, New York Account of Middle East Bank, London For the Favour of Finley International Account no: 047133-002.	11/4/88.	$2,300,000.	
	Total	$2,300,000.	

Approval Signatures:

(1) _____ (2) _____

Authorised verbally by ZA 5.57 pm

Cheque No/TT 22/2013

Account MMTC N.Y A/c.

C

Date 11th April 1988.

Account Code

[ ][ ] — [5][9] — [0][5] /051

Exhibit 17(ii)

00330
MANUFACTURERS HANOVER

ORIGINAL
ADVICE OF DEBIT

OF DEBIT YOUR ACCOUNT NO 000146009057
FOR PAYMENT INDICATED SAME DAY FUNDS

[redacted]

CAPCOM FINANCIAL SERVICES LIMITED
9 ST ANDREWS STREET
LONDON EC4A 3AE ENGLAND

TRN: 04111444 M0002 2517
04111443 M3501 2517

Manufacturers Hanover Trust Com
Date 88/04/11
Our Ref (TRN) No 084160U102FP
Please mention our Reference No (TRN) in any correspondence
Originator's Date 88/04/11
Originator's Ref No TREASURY

ONWARDING CUSTOMER
CAPCOM FINANCIAL SERVICES LIMITED
LONDON

BENEFICIARY:
FINLEY INTERNATIONAL LIMITED
LONDON

ACCOUNT WITH:
MIDDLE EAST BANK LIMITED LONDON

PAID THRU FED TO:
BANK OF CALIFORNIA INTL
NEW YORK NY 10048

Authorised Signature

Exhibit 18

F A S

22 April 1988

Mr Shoaib Lakhani
Capcom Financial Services Limited
9-13 St Andrew Street
London EC4

Dear Sir,

RE. ACCOUNT PERV.

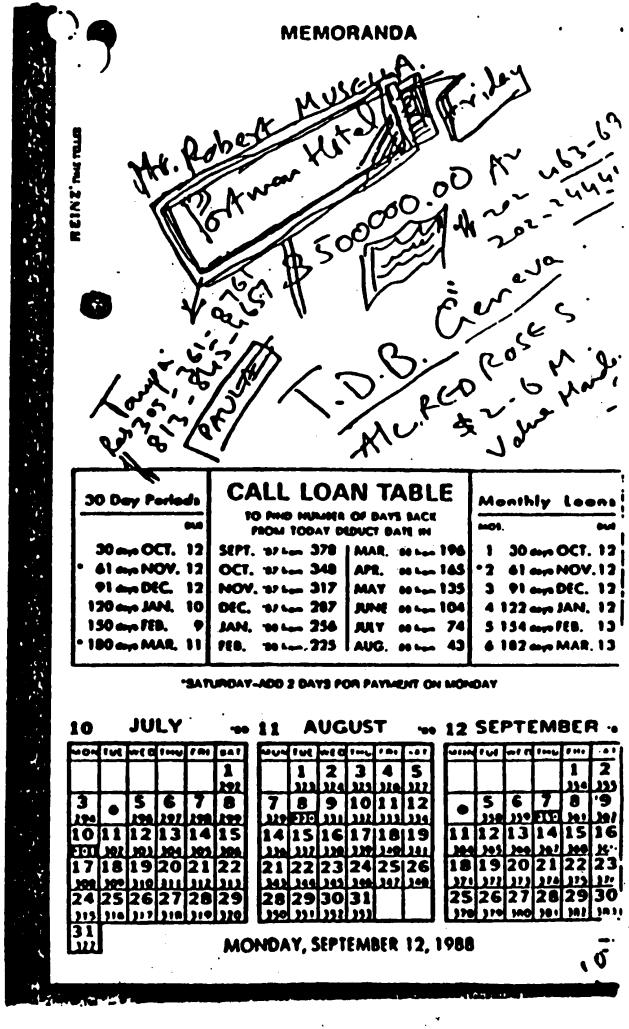
As per the instructions of Mr Pervez Shahid, kindly debit his account with you and issue the following cheques at your earliest:

1.	US$100,000.00	(US Dollars one hundred thousand only)	Fvg. Mr Shamsuz Zaman
2.	US$153,390.00	(US Dollars one hundred fifty three thousand three hundred ninety only)	Fvg. Mr Parvez Shahid
3.	US$1,680.00	(US Dollars one thousand six hundred eighty only)	Fvg. Mr M R Shah
4.	US$450,000.00	(US Dollars four hundred and fifty thousand only)	Fvg. Mr Raziuddin Akbar
5.	US$44,930.00	(US Dollars forty four thousand nine hundred thirty only)	Fvg. M/s Finley International Ltd

Thanks and regards.

Yours faithfully,

Ziauddin Akbar



MEMORANDA

Mr. Robert Muscha
Ritz Carlton Hotel
Friday
$500000.00 Au
202-463-69
202-244
Tampa
813-875-8757
PAULETTE
T.D.B. Geneva
Mc. Reg Rose S.
$2-6 M
Value Mark

30 Day Periods		CALL LOAN TABLE			Monthly Loans	
	due	TO FIND NUMBER OF DAYS BACK FROM TODAY DEDUCT DATE IN			mos.	due
30 days OCT.	12	SEPT. '87 has 378	MAR. 88 has 196		1 30 days OCT.	12
* 61 days NOV.	12	OCT. '87 has 348	APR. 88 has 165		*2 61 days NOV.	12
91 days DEC.	12	NOV. '87 has 317	MAY 88 has 135		3 91 days DEC.	12
120 days JAN.	10	DEC. '87 has 287	JUNE 88 has 104		4 122 days JAN.	12
150 days FEB.	9	JAN. '88 has 256	JULY 88 has 74		5 154 days FEB.	13
* 180 days MAR.	11	FEB. '88 has 225	AUG. 88 has 43		6 182 days MAR.	13

*SATURDAY-ADD 2 DAYS FOR PAYMENT ON MONDAY

10 JULY '88 | 11 AUGUST '88 | 12 SEPTEMBER '88

MON	TUE	WED	THU	FRI	SAT
					1
3	4	5	6	7	8
10	11	12	13	14	15
17	18	19	20	21	22
24	25	26	27	28	29
31					

MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5
7	8	9	10	11	12
14	15	16	17	18	19
21	22	23	24	25	26
28	29	30	31		

MON	TUE	WED	THU	FRI	SAT
				1	2
4	5	6	7	8	9
11	12	13	14	15	16
18	19	20	21	22	23
25	26	27	28	29	30

MONDAY, SEPTEMBER 12, 1988

Exhibit 11

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
Jan-88			
4-Jan-88	$10,000		Source not known.
14-Jan-88	$265,000	AKP & PS	Cheques drawn to the order of the following: -GR Khan $15,000 -General Securities Ltd $175,000 -Mr Mourice Girgis $175,000 The later two cheques were drawn on BCCI (Overseas) Miami Florida
19-Jan-88	$296,697	BN & PS	Monies received directly from El Rayan
21-Jan-88	($175,000)	BN & PS	Cheque drawn to the order of General Securities Ltd above returned.
26-Jan-88	$54,990	BN & PS	Cheques drawn to the order of the following: -Zia Dien Akbar $50,000 -GR Khan $4,990
28-Jan-88	$4,990	BN & PS	Cheque drawn to the order of Mr Z Akbar
29-Jan-88	$6,555	BN & PS	Cheque drawn to the order of GR Khan
Feb-88			
1-Feb-88	$765,000	DW & PS	Cheques drawn to the order of the following -Sahar Mohamed Abou Bakr Aly Lotfy $550,000 -Nabil Saeed Mousa $215,000 Sahar Lotfy is an employee of CAPCOM, employed in the Cairo office.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

EXHIBIT 20(1)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
1-Feb-88	$28,000	BN & PS	Cheque drawn to the order of Magdy Mohamed Soliman
2-Feb-88	$6,965	BN & PS	Cheque drawn to the order of Mr Z Akbar
3-Feb-88	$1,249,920	BN & PS	Cheque drawn to the order of Sahar Mohamed Abou Bakr Aly Lotfy
3-Feb-88	$500,000	BN & PS	Wire transfer received from Geza Finance Corp[. Telex instruction addressed to J.Parry/ Rafat.
3-Feb-88	$1,249,900	BN & PS	Wire transfer received from Egyptian Gulf Bank
5-Feb-88	$516,384	DW & PS	Cheques drawn to the order of the following -Nabil Said Moussa $80,000 -Moustafa Eissa Afifi $150,000 -Aly Abdel Aal Ramadan $149,900 -Said Hasan Abdel Hafyez $136,484
5-Feb-88	$411,900	DW & PS	Three cheques drawn to the order of Nabil Said Moussa
5-Feb-88	$890,000	DW & PS	Cheque drawn to the order of El Rayan Transactions Co.
8-Feb-88	$199,800	DW & PS	Cheque drawn to the order of El Saket Mohamed
9-Feb-88	$90,400	DW & PS	Cheque drawn to the order of Aly Abdel Aal Ramadan
9-Feb-88	$1,000,000	DW & PS	Source of funds not known.
9-Feb-88	$179,400	DW & PS	Source of funds not known.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR MURMOHAMMED.

2

EXHIBIT 201(1)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
10-Feb-88	($150,000)	DW & AKP	Payment made according to a telex instruction marked for the attention of J.Parry from Ahmed Tawfick. Payment made to Shakarchi Trading AG, attention David Mehanne. Shakarchi Trading have according to a recent press article been linked to money laundering.
11-Feb-88	$1,400,000	DW & PS	Source of funds not known.
11-Feb-88	$99,770	DW & PS	Cheque drawn to the order of GR Khan
11-Feb-88	$8,087		Source of funds not known.
15-Feb-88	$200,000	BN & AHK	Cheque drawn to the order of Nabil Said Moussa
15-Feb-88	$250,000	BN & AHK	Cheque drawn to the order of Sayed Hassan Abdel Hafiz.
16-Feb-88	$34,660	BN & AHK	Cheque drawn to the order of Deyaa El Dein Akbar
16-Feb-88	$200,000	DW & AHK	Cheque drawn to the order of CAPCOM Financial Services Ltd.
16-Feb-88	$10,000	DW & AHK	Cheque drawn to the order of Adel Mikhail Abdel Messih
17-Feb-88	$249,965	BN & AHK	Cheque drawn to the order of GR Khan
18-Feb-88	$700,000	DW & BN	Source of funds not known.
18-Feb-88	$400,000	BN & AHK	Cheques drawn to the order of the following -Sayed Hassen Abdelhafiz $250,000 -Ahmed Saleh Sayed Ahmed $150,000
18-Feb-88	$162,000	BN & AHK	Wire transfer from Mrs F.Elsayed Mansi.
18-Feb-88	$65,500	BN & AHK	Cheque drawn to the order of Nabil Said Moussa

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKRAR, BN- BASHIR NURMOHAMMED.

Exhibit 20(111)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
19-Feb-88	$190,000	DW & AHK	Cheque drawn to the order of CAPCOM Financial Services Ltd.
24-Feb-88	$285,000	DW & AHK	Wire transfer from Mahmoud Awad drawn on BCCI (Overseas) Miami Florida.
24-Feb-88	$200,000	DW & AHK	Wire transfer from Ayman Abdul Monem Mashhour.
24-Feb-88	$7,884	DW & AHK	Cheque drawn to the order of Mr Z Akbar
24-Feb-88	$200,000	DW & AHK	Wire transfer from Ayman Abdul Monem Mashhour.
25-Feb-88	$250,000	DW & AHK	Wire transfer from Ayman Abdul Monem Mashhour.
Mar-88			
7-Mar-88	$399,980	DW & AHK	Cheque drawn to the order of El Rayan Transactions Co.
7-Mar-88	($5,000)	DW & AHK	Telex instruction addressed to J.Parry from Ahmed Tawfick instructing CAPCOM to pay Mr Silvestre Arcencia, Cadiz City, Philipines.
25-Mar-88	($2,300,000)	DW & BN	Amount paid to "GOOD".
Apr-88			
4-Apr-88	(GBP 195000)	BN & AKP	Payment made to Barretts. Barretts are a firm of solicitors who acted for the purchaser on the FAS property sale. This sum is equivalent to the deposit FAS received from Barretts as part of the sale consideration.
13-Apr-88	GBP 195000	PS & AHK	This sum was received from FAS and represents the deposit they received from Barretts as part of the sale of their property.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

4

Exhibit 20(iv)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
7-Apr-88	($70,800)		Transfer to GOOD account 10
7-Apr-88	($20,611)		Transfer to GOOD account 11
7-Apr-88	($1,608,965)		Transfer to GOOD account 2
7-Apr-88	($5,442)		Transfer to GOOD account 4
7-Apr-88	($118,614)		Transfer from GOOD account 5
7-Apr-88	($51,278)		Transfer to GOOD account 6
7-Apr-88	($204,081)		Transfer to GOOD account 7
7-Apr-88	($35,400)		Transfer to GOOD account 8
7-Apr-88	($35,400)		Transfer to GOOD account 9
18-Apr-88	$42,401		Transfer from account TARK
18-Apr-88	($7,750)		Transfer to GOOD account 6
18-Apr-88	($20,000)		Transfer to GOOD account 4
24-Apr-88	($250,000)		Information not available.
7-Apr-88	DM 116300		Transfer from GOOD account 10
7-Apr-88	DM 619482		Transfer from GOOD account 2
7-Apr-88	DM 38400		Transfer from GOOD account 4

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

5

Exhibit 20(v)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
7-Apr-88	DM 59150		Transfer from GOOD account 8
7-Apr-88	DM 59150		Transfer from GOOD account 9
26-Apr-88	(DM 10850)		Information not available.
7-Apr-88	(Y 18950000)		Transfer to GOOD account 10
7-Apr-88	(Y 9475000)		Transfer to GOOD account 11
7-Apr-88	(Y 47075999)		Transfer to GOOD account 2
7-Apr-88	(Y 9475000)		Transfer to GOOD account 8
7-Apr-88	(Y 9475000)		Transfer to GOOD account 9
May-88			
12-May-88	($172,162)		Transfer from GOOD account 15
12-May-88	$14,019,534		Transfer from GOOD account 3
13-May-88	$299,890	ZA &BN	Cheque drawn to the order of Mohamed Abdel Salam Mohamed.
13-May-88	$39,930	ZA & BN	Cheque drawn to the order of Salah Abd El Aal Ramadan.
16-May-88	$69,965	ZA & BN	Cheque drawn to the order of Mustafa Tawfik Abdelfatah.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

6

Exhibit 20(vi)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
Jun-88			
27-Jun-88	$45,000	PS & AHK	Wire transfer from Rayan Investment Group drawn on Westheimer Memorial bank, Houston, Texas.
27-Jun-88	($45,000)	BN & AHK	Monies paid to Mohamed Monier Abdul Salam upon the instruction of Ahmed Tawfick, the chairman of El Rayan.
Jul-88			
8-Jul-88	$4,495,000	BN & AHK	Source of funds not known.
Aug-88			
15-Aug-88	$8,600		Transfer from GOOD account 10
15-Aug-88	($431,438)		Transfer from GOOD account 11
15-Aug-88	($242,105)		Transfer from GOOD account 13
15-Aug-88	($269,356)		Transfer from GOOD account 14
15-Aug-88	$20,240		Transfer from GOOD account 2
15-Aug-88	($40.00)		Transfer from GOOD account 3
15-Aug-88	($343,213)		Transfer from GOOD account 4
15-Aug-88	($100,460)		Transfer from GOOD account 5

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

7

Exhibit 20(vii)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
15-Aug-88	$46,754		Transfer from GOOD account 6
15-Aug-88	$12,350		Transfer from GOOD account 8
15-Aug-88	($239,853)		Transfer from account MONI
29-Aug-88	$300,000	AHK	Wire transfer from El Rayan.
30-Aug-88	$250,000	BN & AHK	Wire transfer from Mubarak and Bros Co.
15-Aug-88	DM 5320		Transfer from GOOD account 14
15-Aug-88	DM 103		Transfer from GOOD account 2
15-Aug-88	(Y 35305)		Transfer to GOOD account 2
Sep-88			
8-Sep-88	$800,000	BN & AHK	Wire transfer from CAPCOM Futures Inc.
9-Sep-88	$999,965	BN & AHK	Wire transfer from CAPCOM Futures Inc.
12-Sep-88	$300,000	PS & AHK	Wire transfer from CAPCOM Futures Inc.
13-Sep-88	$45,000	PS & AHK	Wire transfer from Mubarak and Bros Co.
13-Sep-88	$193,684	PS & AHK	Wire transfer from CAPCOM Futures Inc.
15-Sep-88	$4,000,000	PS & AHK	Wire transfer from Finley International via the Middle East Bank.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

8

Exhibit 20(viii)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID)	AUTHORISING SIGNATURES	NATURE OF TRANSACTION
Oct-88			
3-Oct-88	$450,000	PS & AHK	Wire transfer from El Rayan & Co.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

Exhibit 20(1x)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD 3 ACCOUNT
DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
Mar-88			Account opened
8-Mar-88	200,000	DW & AHK	Source of funds not known.
8-Mar-88	100,000	DW & AHK	Wire transfer from Mohamed Abdul Wahab Saleh.
8-Mar-88	250,000	DW & AHK	Wire transfer from Abdul Wahab Saleh Eldin
8-Mar-88	174,990	DW & AHK	Source of funds not known, however ordering bank UBS Geneva.
8-Mar-88	150,000	DW & PS	Wire transfer from Mohd Abdul Wahab Ezziddin.
9-Mar-88	249,980	DW & PS	Cheque drawn to the order of Mahmoud Salah El Sayed.
9-Mar-88	(3,000,000)	DW & AHK	Paid to Security Pacific International Bank, New York, Account BCCI (Overseas) Grand Cayman. Discussed in section 6 of the report.
9-Mar-88	200,000	DW & PS	Wire transfer from Mohd Abdul Wahab El Sayed.
10-Mar-88	(2,500,000)	DW & BN	Paid to Security Pacific International Bank, New York, Account BCCI (Overseas) Grand Cayman. Discussed in section 6 of the report.
11-Mar-88	419,415	DW & AHK	Cheques drawn to the order of the following: -Aly Abdel Aal Ramadan $125,200 -Said Hasan Abdul Hafeez $154,400 -Mustafa Tawfik Abdul Fatah $100,000 -Ihab El Din Mahmoud Roushdy $40,000
14-Mar-88	100,000	DW &PS	Wire transfer from Mohamed Abdul Wahab Saleh.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

Exhibit 20(x)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD 3 ACCOUNT
DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
21-Mar-88	36,965	DW & PS	Cheque drawn to the order of Murad Ahmad Mahmoud Alsayed.
21-Mar-88	25,965	DW & PS	Cheque drawn to the order of Murad Ahmad Mahmoud Alsayed.
21-Mar-88	84,965	DW & PS	Cheque drawn to the order of Mustafa Tawfik Abdul Fatah.
21-Mar-88	431,480	DW & PS	Source of funds not known, however ordering bank Egyptian American Bank.
23-Mar-88	47,960	DW & PS	Cheque drawn to the order of Mohamed Hassan Mohamed.
23-Mar-88	150,000	DW & PS	Wire transfer from Mahdi M. Salem.
23-Mar-88	199,930	DW &PS	Cheque drawn to the order of Mahmoud Abdel Monseif Ahmed Rashed.
24-Mar-88	800,000	DW & BN	Wire transfer from Mohamed Abd El Khalek Ahmed.
24-Mar-88	108,305	DW &BN	Cheque drawn to the order of Nazeeh Mahmoud Khalifa. Cheque drawn on BCCI (Overseas), Miami, Florida.
24-Mar-88	103,905	DW & BN	Cheque drawn to the order of Fadel Mahmoud Ezzat. Cheque drawn on BCCI (Overseas), Miami, Florida.
25-Mar-88	19,955	DW & BN	Cheque drawn to the order of Ahmad Mahmoud Hassan.
25-Mar-88	49,995	DW & BN	Cheque drawn to the order of Ihar El Din Mahmoud Rihishoy.
25-Mar-88	249,770	DW & BN	Cheque drawn to the order of Mohamed Abdel Khalek Ahmed.
25-Mar-88	599,947	DW & BN	Funds transferred from Brenchase.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

3

172

Exhibit 20(xiii)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD 3 ACCOUNT
DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
28-Mar-88	49,915	DW & BN	Cheque drawn to the order of Ashraf Ali Mohammed.
28-Mar-88	200,000	DW & BN	Wire transfer from Abdul Wahab Salam.
29-Mar-88	150,000	DW & BN	Wire transfer from Mohd Shafi Ezzatdin.
29-Mar-88	440,000	DW & BN	Cheques drawn to the order of: -Ahmed Ahmed Abdul Fattah $350,000 -Fikri Haleem Armis $90,000
Apr-88			
4-Apr-88	6,601		Source not known.
4-Apr-88	84,965	BN	Cheque drawn to the order of Mustafa Tawfik Abdel Fatah.
4-Apr-88	71,950	BN	Cheque drawn to the order of Mustafa Tawfik Abdel Fatah.
4-Apr-88	69,965	BN & DW	Cheque drawn to the order of Nabeel Said Mousa.
4-Apr-88	51,965	BN & DW	Cheque drawn to the order of Mustafa Tawfik Abdel Fatah.
4-Apr-88	49,965	BN & DW	Cheque drawn to the order of Murad Ahmad Mahmoud Alsayed.
4-Apr-88	49,965	BN & DW	Cheque drawn to the order of Murad Ahmad Mahmoud Alsayed.
4-Apr-88	42,465	BN & DW	Cheque drawn to the order of Murad Ahmed Mahmoud AlSayed.
4-Apr-88	39,965	BN & DW	Cheque drawn to the order of Murad Ahmed Mahmoud AlSayed.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

Exhibit 20(xiii)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD 3 ACCOUNT
DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
4-Apr-88	39,965	BN & DW	Cheque drawn to the order of Mustafa Tawfik Abdel Fatah.
4-Apr-88	28,465	BN & DW	Cheque drawn to the order of Saber Mohamed Ahmad.
4-Apr-88	24,965	BN & DW	Cheque drawn to the order of Saber Mohamed Ahmad.
5-Apr-88	500,000	BN & DW	Funds transferred from Brenchase.
5-Apr-88	150,000	BN & DW	Wire transfer from Mohd Yousef Salem.
7-Apr-88	699,985	BN & DW	Wire transfer from Islamic International Bank.
7-Apr-88	699,980	DW & PS	Cheque drawn to the order of El Rayan & Co.
7-Apr-88	150,000	PS & AHK	Source not known.
8-Apr-88	10,000		Source not known.
8-Apr-88	200,000	PS & AHK	Wire transfer from Mohamed Abdulazi Abdul Maqsood.
8-Apr-88	50,000		Source not known.
11-Apr-88	26,965	AHK & PS	Cheque drawn to the order of Sayed Mostafa Abd El Fattah.
11-Apr-88	52,965	AHK & PS	Cheque drawn to the order of Murad Ahmed Mahmoud AlSayed.
11-Apr-88	(10,000)		Information not available.
12-Apr-88	200,000	AHK	Wire transfer from Ahmed Ahmed.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

5

Exhibit 20(xiv)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD 3 ACCOUNT
DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
12-Apr-88	172,990	AHK & PS	Source not known.
13-Apr-88	130,000	AHK & PS	Wire transfer from Muhanna Khella Barsoum.
14-Apr-88	317,690	AHK & PS	Source not known.
15-Apr-88	124,930	AHK	Cheque drawn to the order of Atef Abdul Malak.
15-Apr-88	499,985	AHK	Wire transfer from Mohamed Abd El Khalek Ahmed.
19-Apr-88	11,559	AHK & PS	Cheque drawn to the order of Moustafa Eisa Affify.
19-Apr-88	99,955	AHK & PS	Cheque drawn to the order of Ahmad Tawfik Abdel Fattah.
19-Apr-88	149,955	AHK & PS	Cheque drawn to the order of Ahmad Tawfik Abdel Fattah.
20-Apr-88	199,930	AHK & PS	Cheque drawn to the order of Salah Abdel Al Ramadan.
20-Apr-88	299,930	AHK & PS	Cheque drawn to the order of Nabil Said Moussa.
21-Apr-88	999,980	AHK & PS	Cheque drawn to the order of El Rayan & Co.
21-Apr-88	399,985	AHK & PS	Cheque drawn to the order of Mohamed Abd El Khalek Ahmed.
22-Apr-88	500,000	AHK & PS	Money transferred from Brenchase.
25-Apr-88	25,465	BN & PS	Cheque drawn to the order of Saber Mohamed Ahmad.
25-Apr-88	34,465	BN & PS	Cheque drawn to the order of Ahmed Jad Al Karim Abdul Nabi.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR AKRAR, BN- BASHIR NURMOHAMMED.

Exhibit 20(av)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD 3 ACCOUNT
DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
25-Apr-88	49,965	BN & PS	Cheque drawn to the order of Mustafa Tawfik Abdel Fattah.
25-Apr-88	49,965	BN & PS	Cheque drawn to the order of Mustafa Tawfik Abdel Fattah.
25-Apr-88	74,965	BN & PS	Cheque drawn to the order of Mustafa Tawfik Abdel Fattah.
25-Apr-88	74,965	BN & PS	Cheque drawn to the order of Mustafa Tawfik Abdel Fattah.
25-Apr-88	99,980	BN & PS	Cheque drawn to the order of Essam Eldin Mohamed Emam.
25-Apr-88	134,965	BN & PS	Cheque drawn to the order of Mustafa Tawfik Abdel Fattah.
25-Apr-88	299,980	BN & PS	Cheque drawn to the order of Mahmoud Hamad Nohamed.
27-Apr-88	125,000	BN & PS	Wire transfer from Mohamed Abdul Aziz Maqsood.
28-Apr-88	95,000	BN & PS	Wire transfer from Fikri Hilmy Armees.
29-Apr-88	180,000	AHK & PS	Source not known, however funds transferred from Alahli Bank of Kuwait.
May-88			
2-May-88	199,930	AHK & PS	Cheque drawn to the order of Hosny Helmy Ahmed.
3-May-88	1,705,000	AHK & PS	Money transferred from Brenchase.
4-May-88	149,955	AHK & PS	Cheque drawn to the order of Mohammad Abdul Khalek Ahmad.
4-May-88	499,985	AHK & PS	Wire transfer from El Rayan & Co.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

Exhibit 20(xvii)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD 3 ACCOUNT
DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
5-May-88	399,980	BN & PS	Cheque drawn to the order of Salah Abdul Aal Ramadan.
5-May-88	299,930	BN & PS	Cheque drawn to the order of Sami Abdel Hamid Abdallah.
5-May-88	149,980	BN & PS	Cheque drawn to the order of Mohamed Abd El Salan Nohamed.
6-May-88	119,880	BN & PS	Cheque drawn to the order of Aly Abdul Aal Ramadan.
9-May-88	8,226	AHK & PS	Cheque drawn to the order of Hoda Hasan Hasona.
9-May-88	74,930	AHK & PS	Cheque drawn to the order of Sherif Sadek Abdul Kader.
9-May-88	114,890		Source not known.
11-May-88	284,930	BN & PS	Cheque drawn to the order of Suwailem Masoud Ali.
12-May-88	49,965	BN & PS	Cheque drawn to the order of Ahmed Jad Alkarim Abdul Nabi.
12-May-88	15,465	BN & PS	Cheque drawn to the order of Ahmed Mohamed Hassan Al Atfi.
12-May-88	18,965	BN & PS	Cheque drawn to the order of Ahmed Mohamed Hassan Al Atfi.
12-May-88	(14,019,534)	PS	Balance transferred to account GOOD.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

8

177

Exhibit 20(xvii)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD 3 ACCOUNT
DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
Jun-88			No movement in funds.
Jul-88			No movement in funds.
Aug-88			No movement in funds. Account closed.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

9

Exhibit 20(xviii)

CAPCOM FINANCIAL SERVICES LIMITED
GOOD 15 ACCOUNT
RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
Apr-88			Account opened.
11-Apr-88	(2,300,000)	DW & PS	Paid to Finley. Discussed in section 7.
May-88			
-May-88	909,838	AHK & PS	Funds transferred from Brenchase Limited.
6-May-88	1,000,000	AHK & PS	Wire transfer from Islamic International Bank.
9-May-88	218,000	BN & PS	Funds transferred from Brenchase Limited.
12-May-88	172,162		Transfer to account GOOD.
May 1988			Account closed.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

Exhibit 20(xix)

Exhibit 21

WALL STREET JOURNAL/EUI

29.4.88

Swiss Agree to Speed Up Money-Laundering Bill

BERNE (Reuter) - The Swiss Federal Council agreed to speed up Justice Minister Elisabeth Kopp's plans to make money laundering a crime.

Mrs. Kopp said her ministry would produce a draft law to be sent to parliament by next spring, making it an offense punishable by as much as five years' imprisonment to conceal the criminal origin of money.

Referring to the disclosure by public prosecutors this month that 1.5 billion Swiss francs (about $1 billion) in illegal drug money may have been channeled through Swiss banks, she said: "It has become clear that money laundering in Switzerland has reached a scale which makes it necessary to speed up the introduction of a criminal law."

The latest scandal has proved an embarrassment to Mrs. Kopp. Until October, her husband, Hans, was vice chairman of a Zurich financial trading company that prosecutors were quoted as saying had handled money from Lebanese drug smugglers. Both he and the company, Shakarchi Trading Co., denied the allegations and no charges have been brought against either.

The money-laundering measure will be split off from a general revision of Swiss criminal law due in the next few years. As a result, it will become law sooner, but probably not before 1990.

Swiss banks have criticized preliminary drafts of the law, which they said failed to distinguish between deliberate and negligent money laundering. They also object to police-type functions being imposed on banks.

Exhibit 22(i)

GENERAL SECURITIES CORPORATION

44 bis Avenue Krieg
1208 Geneva
Suisse

LOAN AGREEMENT

1) This loan agreement is made this 1st day of September 19 86 between General Securities Corporation (referred to as GESS in this agreement) and Futures Advisory Services Limited (referred to as FAS in this agreement).

2 Whereas GESS will lend to FAS the following amounts on the following dates for the purpose of purchasing property at 107 Grays Inn Road, London, WC1X 8TZ

	Date	Amount
1)	17.09.1986	£ 160,000.00
2)	30.09.1986	£ 1,440,000.00
3)	01.10.1986	£ 17,779.28
4)	06.10.1986	£ 8,940.25
5	22.10.1986	£ 1,092.50
	TOTAL	£ 1,627,812.03 (Pounds one million six hundred and twenty seven thousand eight hundred and twelve and three pence only)

3 This loan shall carry interest at the rate of one percent over the base rate of Manufacturers Hanover Trust Company, London, such interest being calculated and charged at quarterly rests on the last working days of March, June, September and December in each year.

4 As security for this loan FAS shall place with GESS the title deeds of the property and will undertake to register such charges as GESS

Exhibit 22(ii)

Loan Agreement contd.

may desire from time to time.

5) This loan shall be repaid upon demand but it is envisaged, without prejudice to the foregoing, that full repayment will be made within three years of the date of this agreement.

SIGNED ON BEHALF OF ..General Securities Corporation.....

Me Cécile RINGGENBERG
Avocat, Dr en droit
44 bis, avenue Krieg
1208 GENÈVE
Tel. (022) 47 52 53

SIGNED ON BEHALF OF ..Futures Advisory Services Limited.....

Fr. 2.50

LEGALISATION DE SIGNATURE :

Vu par Me Robert-Pascal FONTANET, notaire à Genève, soussigné, pour légalisation de la signature apposée ci-dessus par Madame Cécile RINGGENBERG.
Genève, le 17 février 1987

ROBERT-PASCAL FONTANET
NOTAIRE A GENÈVE

FAS PROPERTY-ANALYSIS OF MOVEMENT OF FUNDS

	Purchase of Property £'000	Loan from GESS £'000	Loan from Middle East Bank £'000	Loan from Sheikh Noorudin £'000	Sale of property £'000	Comments
Purchase price-17/9/1986	1,628					
Financed by-loan from GESS		1,628				
Interest on loan		149				
		1,777				
Repaid as follows:						
Loan from Middle East Bank -19/5/1987		(1,500)	1,500			
Interest on loan			114			
			1,614			
Repaid as follows:						
Payments by FAS						
-19/8/1987			(42)			
-16/11/1987			(93)			
Loan from Sheikh Noorudin						
-11/1/1988			(948)	948		
-23/2/1988			(531)	531		
Interest on loan				80		
			(1,614)	1,559		
Repaid as follows:						
Sale of building						
-Initial deposit (8/4/1988)		(195)			195	Payment was made to account GOOD at Capcom
-Sale of land (21/6/1988)				(350)	350	Payment was made to account TWOY at Capcom
-Sale of building (31/8/1988)				(1,209)	1,209	Payment was made to account GESS at Capcom
				(1,559)	1,754	
Payment by FAS		(82)				
		(1,777)				

Exhibit 23

CAPCOM

Exhibit 24(i)

Receipt Authorisation

Description/Details	Value Date	Amount	Credit Account
		Currency USD.	
FUNDS RECD FROM CLIENT GESS.	29/9/88	$25,000—00	GESS 6301
		Total $25,000—00	

Approval Signatures:

(1) _____ (2) _____

A.B.F. _____

Account MHTC N.Y A/C

Date 27th Sept 1988.

Account Code ✓

[ ][ ] — [5][9] — [0][5]. 1150

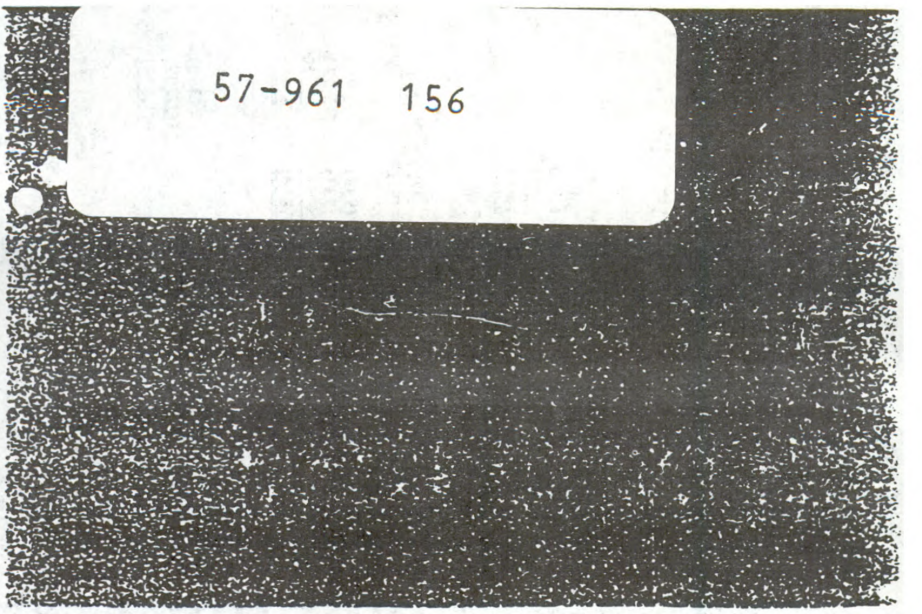


Exhibit 24(ii)

```
B/O    : BANQUE INDOSUEZ 92-62 BISHOPSGATE LONDON EC2N 4AR. ENGLAND
REMARK : SPORG*STANDALE LTD*BI*26011991 BANQUE INDOSUEZ 1677 27E10Z
         GBDLAXXX667996OBI*ATTN - PAYMENTS DEPT LESS CHARGES
NT REF# 0094028

     25,000.00 $ 000100347&CH FTS 1128 00332

YR REF: 140099057
REC FR: BANK OF NEW YORK
B/O    : BANK OF CREDIT & COMMERCE INT'L LTD APARTADO 6-4507 PANAMA
         CITY, PANAMA
REMARK: SN BNF*HARIDMAN COMPANY LTD OBI*ATTN MR. AKBAR BBI*AC 140-
         0-99057
NT REF# 0073938

---TOTAL CREDITS--- 14
   24,329,969.11     24,329,969.11

/ DEBITS--

 8,174,000.00 $ 015880027IFF FTS 1142

YR REF: F
```

Exhibit 25(i)

APCOM

Receipt Authorisation

Description/Details	Value Date	Amount	Credit Account
		Currency USD	
S REC'D.			
1 CLIENT.	13/9/88.	$500,000—00	GESS. 6301
	Total	$500,000—00	

nal Signatures: (1) _____ (2) _____

Account Code

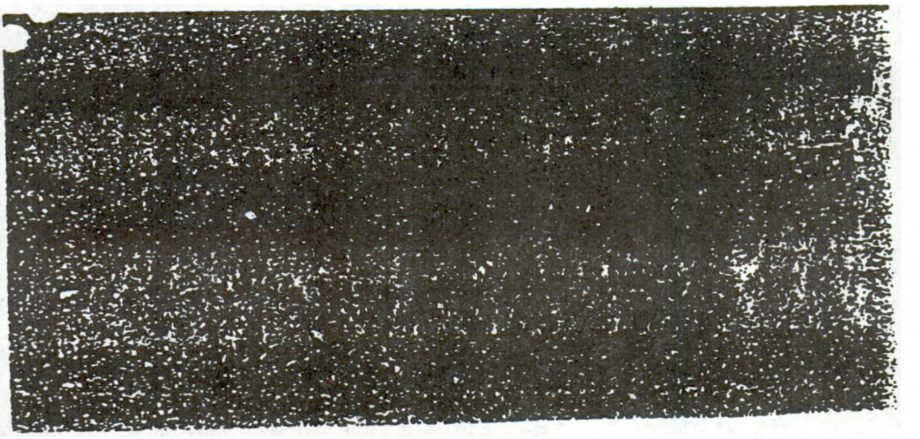
at MHTC NY A/C. 13th September 1988. — 59 — 05 ✓ /065

ATTN: MR. AKBAR

ANK TO BANK INFORMATION
ONF/SEQ-880913000043
NF/AC-SANDART LTD

57-961 158

Authorised Signature



CAPCOM FINANCIAL SERVICES LIMITED
GESS ACCOUNT
STERLING RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) £	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
4th Feb	(4,000,000)	AKP/PS	Funds paid to Sheikh Khalil in part or final settlement of the sale of shares in Capcom. Discussed in full in section 2
30th Mar	(3,000)	AKP/DW	Cheque cashed by Mr Akbar.
26th July	(15,000)	ZA/BN	Cheque cashed by Mr Akbar.
26th July	100,000	ZA/BN	Funds received from Kingsley Napley.
16th Aug	1,290,797	PS/AHK	Funds received from FAS. These funds were part of the proceeds from the sale of the FAS property and were remitted to Capcom in settlement of outstanding loans to GESS and Sheikh Nooruddin. Discussed in full in section 11.
17th Aug	(25,000)	ZA/BN	Cheque cashed by Mr Akbar.
24th Aug	360,000	AHK/ZA	Amount credited following the cancellation of a cheque made payable to Arafati Trading & Contracting Establishment. Discussed in full in section 8.
20th Sept	(5,000)	AHK/ZA	Cheque cashed by Mr Akbar.
26th Sept	(13,859)	AHK/ZA	Paid to Barretts. Barretts acted as the solicitors to the purchasers of the FAS property.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

Exhibit 26(1)

MIDT
MANUFAC. ..ERS
HANOVER

Funds Tr...
4 New York Plaza
New York, NY 10004

Manufacturers Hanover Trust Company

Our Ref (TRN) No 88/09/13
0010900257FF

Please mention our Reference No (TRN) in any correspondence

Originator's Date 88/09/13
Related Ref No O/O FLA NATL JAX

RECEIVED SEP 19 1988

ORIGINAL
ADVICE OF CREDIT

WE CREDIT YOUR ACCOUNT NO 000140099057
FOR PAYMENT INDICATED SAME DAY FUNDS

$500,000.00**

CAPCOM FINANCIAL SERVICES LIMITED
2 13 ST ANDREWS STREET
LONDON ENGLAND EC4A 3AF

RECEIVED FROM
FINANCIAL CONSULTANTS INC

ORDERING BANK
FLORIDA NATIONAL BANK
REGIONAL CONTROL
GENERAL MAIL CENTER
JACKSONVILLE FL 32231

IMA: 091309Z5 FJTIT 0020
091309Z3 BBAOI 0120

DETAILS OF PAYMENT
ATTN: MR. AKUAH

BANK TO BANK INFORMATION
/BNF/SEQ-BNO913000043
BNF/AC-SANDART LTD

Authorized Signature

188

Exhibit 25(iii)

CAPCOM FINANCIAL SERVICES LIMITED
GESS ACCOUNT
DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
11th Feb	52,600	DW/PS	Both these cheques were made payable to Mr R. Akbar, the original sums having been credited to account PERV. Discussed in full in section 7.
11th Feb	356,250	DW/PS	
29th Feb	(619)	BN/AKP	Paid to CITCO.
29th Feb	20,772	BN/AHK	Funds received from Irving Trust Co.
15th April	(5,500,000)	BN/AHK	Sum paid Security Pacific International Bank, New York, Account BCCI (Overseas) Ltd. Discussed in full in section 6.
20th April	(125,000)	BN/AHK	Paid to Melitco Call account, ANZ Bank (Vanuatu) Ltd.
27th April	231,987	BN/PS	Funds received from Brenchase.
19th May	265,400	PS/AHK	Information not available.
26th May	125,000	PS/AHK	Funds received from ANZ Bank Melbourne.
16th June	(975)	BN/ZA	Paid to International Trust Co. Liberia
6th July	(20,000)	PS/AHK	Paid to Richard Fear.
6thJuly	25,000	PS/AHK	Received from CFI.
1st Sept	(6,000)	PS/AHK	Half yearly fee paid to Kerry Fox in h position as a director of the Capital Fund.
8th Sept	(30,000)	BN/AHK	Paid to Barclays Cairo.
14th Sept	500,000	PS/AHK	Received from Sandart Ltd. This sum as we are informed been investigated by H.M. Customs & Excise. Discuss in full in Section 8.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), P PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

CAPCOM FINANCIAL SERVICES LIMITED
GESS ACCOUNT
DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FEBRUARY, 1988 TO 31ST OCTOBER, 1988

DATE	FUNDS RECEIVED (PAID) $	AUTHORISING SIGNATURE	NATURE OF TRANSACTION
16th Sept	1,000,000	PS/AHK	Funds remitted by Finley from the Middle East Bank. According to Mr. Akbar these funds were to cover the losses made by GESS when covering GOOD's position in silver in 1987. Discussed in full in Section 7.
19th Sept	10,000,000	PS/AHK	
19th Sept	5,500,000	PS/AHK	Funds remitted by Finley from the Middle East Bank. According to Mr. Akbar these funds were remitted as a loan to account GESS. Discussed in full in Section 7.
22nd Sept	(2,000,000)	PS/AHK	Paid to CFI.
23rd Sept	1,950,000	PS/AHK	Funds received from CFI. According to Mr. Akbar, these funds were incorrectly credited to account GESS. The funds were received by Capcom in settlement of their sale of shares in CFI. Discussed in full in Section 8.
28th Sept	25,000	PS/AHK	Funds received from Hardeman Ltd, it is this sum that is specifically mentioned in the indictment. Discussed in full in Section 8.
6th Oct	(500,000)	PS/AHK	Return of funds received on 14th September, 1988.

AKP- AK PURI, DW- DERICK WILLIS (ex management accountant), AHK- AKTAR KHAN (credit controller), PS- PAUL SNOW, ZA- MR. AKBAR, BN- BASHIR NURMOHAMMED.

Exhibit 26(iii)



CAPCOM FINANCIAL SERVICES LTD

N° 0786

ISSUE DATE	PERIOD	MATURITY DATE	RATE	INTEREST PAYABLE (AT MATURITY)
9/10/1989	1 YEAR	9/10/1990	11% P.A.	US$ 1,115,777.78

INTEREST PAYABLE ON: 9/11/89 US$ 281,111.11
9/4/89 US$ 276,999.99
9/7/89 US$ 278,055.55
9/10/89 US$ 281,111.11

for CAPCOM FINANCIAL SERVICES LTD

Exhibit 27

Exhibit 26

▲ ALMAS HOLDINGS LIMITED

PRIVATE AND CONFIDENTIAL

Mr. D. Exter
Capcom Project Finance Limited
9-13 St Andrews Street
London EC4A 3AE

October 4, 1989

Dear Mr. Exter,

We refer to the discussions the undersigned had with you regarding obtaining funds for Capcom Financial Services from Predilect Investments Limited, Wickams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands. It was agreed in our discussions that for every tranche we obtained for Capcom, Capcom would pay us 2% (two percent) commission on the principal sum, and this would be paid to us quarterly.

As you are aware, the first tranche of US$10 Million has been credited to your account with Manufacturers Hanover Trust, New York. We should appreciate if you would kindly forward to us the requisite receipt so that we can pass it on to our clients, Predilect Investments Limited. Please note that interest for Predilect should be paid to:

Manufacturers Hanover Trust, New York
for Osterreichische Landerbank AG. Vienna

for credit of Predilect Investments Limited
USD Sub Account CAPCOM 134-170-054/52/200

Please also note that our 2% should be remitted quarterly to:

Lloyds Bank Plc
One Seaport Plaza
199 Water Street
New York, New York 10038

for credit of Lloyds Bank Plc - Swiss Cottage Branch
145 Finchley Road
London NW3 6JJ
For USD Account No. 11827810 - Almas Holdings Limited

We should appreciate if you would kindly acknowledge your agreement of these terms and receipt of these instructions by signing and returning the enclosed copy of this letter.

Thanking you,

Yours sincerely,

A. Shaik
Managing Director

QUESTIONS FOR ROBERT MAGNESS

1. When you first met Mr. Akbar in the summer or early fall of 1983, whom did he identify as his "wealthy Arab clients"?

2. How did Mr. Akbar represent himself to you? Did he indicate to you at that time that he worked for BCCI?

3. Prior to meeting Mr. Akbar what did you know about BCCI?

4. Did Mr. Romrell introduce you to Mr. Akbar? Was he present at your meeting with Mr. Akbar? What was the date of the meeting?

5. What were the "prior, reportedly satisfactory business dealings with Akbar" engaged in by Romrell?

6. Did you understand from Mr. Romrell that he had conducted any business with BCCI? Did he specify any business dealings with BCCI at that time or at any later date?

7. For whom did you understand Mr. Puri worked?

8. Was the other person who accompanied Mr. Akbar and Mr. Puri at your meetng in 1983 a man or a woman? What was the nationality of this individual? For whom did this individual work?

9. How did you learn that Mr. Akbar had made or arranged certain Colorado investments for his principals resulting from the trip?

10. Who approached you to invest in the Steamboat Springs condominium project?

11. How much did you invest?

12. Who at BCCI arranged the financing for the Steamboat Springs condominium project? Please specify the names and locations of each person at BCCI with whom you dealt in connection with this project, and their role.

13. What was the amount of financing provided by BCCI?

14. How did you communicate with BCCI concerning this project? Were any Arab investors involved in this project? If so, please identify each one.

15. Prior to your investment in the Steamboat Springs condominium project, had you ever financed an investment with a Middle Eastern bank? If so, please identify each one.

16. Where is Winterwood Associates, Inc. incorporated? Please identify the directors of Winterwood Associates.

17. When was the loan from Winterwood Associates paid off?

18. Where is Amigo Farms, Inc. incorporated. Please identify the dierctors of Amigo Farms Inc.

19. Whom at Amigo Farms Inc. arranged for a line of credit from BCCI? In what amount?

20. How did Mr. Romrell describe the financial brokerage firm in London when he first approached you for start-up capital?

21. Who did he identify as the other investors? Please be as specific as possible, identifying each individual by name and nationality.

22. Did Mr. Romrell indicate to you that Mr. Adham had been a former chief of Saudi intelligence? If not, when and how did you learn this information?

23. On what basis did you come to the conclusion that the investment in Capcom "seemed to make economic sense"?

24. Do you know Mr. Kerry Fox?

25. What did you understand Mr. Fox's role to have been in Capcom?

26. In 1986 you "dropped in on at the offices of Capcom in London." What was the purpose of your trip to Europe?

27. Why did you visit the offices of Capcom? Did you arrive unannounced or had you contacted Capcom prior to your arrival?

28. Did Mr. Abedi or Mr Naqvi, or any other BCCI officer, attend the Christmas party?

29. Please describe the dates and substance of any communications you have had with Sheik Khalil.

30. Prior to your investment in Capcom, had you ever invested in any commodity futures firm?

31. What can you recall from any of the "periodic conversations" you had with Mr. Romrell concerning Capcom?

How many conversations did you have? What did you discuss specifically?

32. Do you know or have you ever met Mohammed Rahim Irvani, Ali Irvani, or Bahman Irvani? If so, please specify the circumstances.

33. Do you know or have you ever met Clark Clifford? If so, please specify the circumstances.

34. Do you know or have you ever met Alfred Hartman? If so, please specify the circumstances.

35. Did you ever take out any loans from Capcom, or any Capcom affiliate. If so, please specify the purpose of each such loan, the date incurred, the amount of the line, the terms of the loan, the date the loan was repaid, and the source of funds for repayment of any such loan.

36. What was the source of funds for the $90,000 you invested in Capcom? Did you take out any loan for any portion of this investment?

37. Did you receive any payments or gifts of any nature whatsoever from Capcom, its affiliates, officers, or directors since the late summer or early fall of 1983?

38. Please identify all financial transactions pertaining to Capcom involving more than $5,000.

39. Do you know Charles Howard? If so, please specify the circumstances. In the event you have undertaken any business or investment activity with Mr. Howard, please identify the name, date, and nature of the activity.

Bob Magness
4725 S. Holly St.
Englewood, Co. 80111

May 12, 1992

Senator John Kerry of
Massachusetts
United States Senate
Washington, D.C.

Dear Senator Kerry,

I understand from members of your staff that the Subcommittee that you chair is looking into BCCI and has questions about an English commodity futures brokerage firm called Capital Commodities Dealers Ltd. ("Capcom") that your staff thinks I might be able to answer. I would like to help. Therefore, after consultation with the staff, I provide this letter because your staff indicates that you do not wish to burden sources of information unnecessarily. I hope you concur, in light of the information provided in this letter, that any further information required of me can be provided informally.

What I understand about the Subcommittee's interest is derived from discussions with Messrs. David McKean and Jonathan Winer of your staff. The focus is on what I knew, by virtue of being a director of Capcom or otherwise, about Capcom and its relationship with BCCI. In October 1988 Capcom was indicted by a federal grand jury in Tampa, Florida for money laundering activities with which BCCI was allegedly associated. Thus I understand why given the Subcommittee's interest in BCCI, it might want to know about Capcom and my association with it.

Actually, there is not a lot I can tell about Capcom and my association with it.

A business associate of mine, Larry Romrell, had had some prior, reportedly satisfactory business dealings with Mr. Akbar involving the sale or financing of some ski resort property Larry had developed. Larry described Mr. Akbar as a banker in whom he had developed some trust and confidence. I do not recall that Larry, or Mr. Akbar, mentioned which bank Mr. Akbar was with. Even had he mentioned BCCI it would have meant nothing to me at the time. I knew nothing

about BCCI. Larry and I were interested in selling certain ranch properties in which we owned an interest. He thus thought I might want to meet Mr. Akbar as a prospective buyer.

I met Mr. Akbar on only two occasions and I believe I spoke with him on only one other occasion by telephone. I first met him in the late summer or early fall of 1983 when he came through Denver to look at some possible investments in Colorado ranch, ski resort or commercial office properties for one or more of his clients. This was a period when there was a lot of reported investment activity by oil rich Arabs in the United States generally, and Colorado in particular. He did not identify his clients to me.

All I recall of the meeting is this. Returning from a trip to visit farms and ranches owned by my associates and myself Larry and four of our farm associates brought Mr. Akbar to my office in Denver with a young colleague, Mr. Puri, and perhaps two junior colleagues, about whom I have no particular recollection. Mr. Akbar was introduced as an investment representative and adviser to several wealthy clients. My impression was that Mr. Puri worked with or for Mr. Akbar. Since there were nine or ten of us in the meeting, we only had a brief conversation about Colorado and the ranches. Then, Larry Romrell and Bob Saffell took Mr. Puri and one of his party to see a condominium project in Steamboat Springs. They felt that the condos were too small an investment for them. While no sales resulted from their visit they did indicate an interest in financing this project for a U.S. Group.

The financial proposal to finance the purchase of the Steamboat Springs project was on terms that I thought of as commercially attractive, although not unusually so, a secured loan one percentage point over the quarterly London Interbank rate. Once that financing was in place, at Larry's invitation, I joined with Larry and a mutual real estate broker friend as a 33.33% investor in the fourteen condominiums in January 1984 through an entity, Winterwood Associates, Inc., a Colorado corporation. BCCI loaned $2,000,000. for the Winterwood project. Some months later, another venture in which I have a 33.33% interest, Amigo Farms, Inc., another Colorado corporation, arranged for a $180,000. line of credit with BCCI on comparable terms. Those two borrowings are the full extent of my business dealings with BCCI. All communications and negotiations with BCCI about their initial financing of these ventures was conducted by Larry. I had no previous experience with BCCI or any Mideast bank or bankers. In neither of these investments were there any Mideast investors or directors.

About June 1984, sometime after Mr. Akbar's trip to

Denver, Larry Romrell told me that Mr. Akbar or Mr. Puri had invited him, and me if I wished, to join with other investors and provide a one-percent share of the start up capital for a financial brokerage firm in London to trade for their existing clients and new clients. After a brief discussion of the prospects for the venture with Mr. Romrell, I agreed to buy a 1% interest for approximately $15,000. I really don't recall very much of the details of what Larry discussed with me about the new firm, other than that Mr. Akbar or Mr. Puri expected it to succeed on the basis of their ability to persuade their existing stable of clients and others that they would attract, to trade through it. I understood that my subscription price was the same per share as the other investors. I was not offered anything for my investment beyond the interest in Capcom. Nor was I offered anything as an inducement to become a member of Capcom's board of directors. I simply understood the board was to be made up of the investors. I do not recall whether the other directors were identified, although it is possible they were. I do not recall mention of a Mr. Adham and/or that a director was a former chief of Saudi Intelligence.

Although I had never before invested in a commodities futures firm, I did decide to invest in Capcom for no reason other than my concurrence in my colleague's view that the investment seemed to make economic sense. If Mr. Akbar and Mr. Puri had the clientele they were thought to have, it seemed a pretty good basis for such a venture. The investment itself involved a very small portion of my net worth. As it turned out, that was a good thing since I lost every penny I invested in Capcom, a total of about $90,000. which I borrowed from a local Denver bank. Your staff have asked whether I ever received any payments or gifts of any nature whatsoever from Capcom, its affiliates, officers or directors since the late summer or early fall of 1983. The only gifts I ever received were a Parker pen at Christmas and a watch at our first meeting, a customary tradition of foreigners who bring a gift when they first meet you in person. Neither of these gifts were expensive. The obvious exception is my colleague Larry Romrell and in that instance nothing out of the ordinary given that my family and his enjoy a close personal relationship.

In September 1985, my first wife died in Frankfurt, Germany on a Sunday. At the request of Larry, Mr. Puri wired, as I recall, $100,000 from Capcom to me in Frankfurt on Monday morning in case of emergency expenses. Due to time zone differences money wired from Denver would not have arrived until Tuesday. As it turned out, the money was not required and returned to Capcom in two or three days.

Insofar as my involvement in the business of Capcom is concerned, that is also rather straightforward. I had

virtually no involvement in the business as a one-percent shareholder. I transacted no business with Capcom. The only role I ever played was as one of the members of Capcom's Board of Directors. Even as to that, I never was required to attend a single meeting of the Board of Directors, and I never did. I did periodically receive requests to approve, by proxy or signature, rather routine corporate resolutions, mostly opening accounts and the like, and I did that. I also received a few reports from time to time. They consisted entirely of financial statements from Capcom's auditors -- who were Arthur Anderson & Co. -- occasional board minutes and periodic oral reports from Mr. Romrell. All of these conveyed apparent normal progress of a lawful business.

Your staff have also asked if I have had any personal or business dealings with any of the directors of Capcom (other than of course with Mr. Romrell). The answer is no except that I met with Mr. Puri a couple of times during his visits to the U.S. Moreover, except for the social event described below, I do not recall ever meeting or communicating with Sheik Khalil. I did not ever meet Sheik Pharon, or Mr. Adham, or anyone identified as their associate. My only contact is that we were all directors of Capcom at some point. I understand that you have gotten a separate report from TCI that affirms the lack of any business relationships with TCI and any of these men or their known affiliates.

In December 1986 on a return trip from Europe totally unrelated to anyone or anything connected with BCCI or Capcom, Larry and I visited the offices of Capcom in London. What I saw there was wholly consistent with the impression I previously had from the auditors' reports and from Mr. Romrell. It was a busy fairly modest trading office, with people apparently earnestly engaged in their trade. As it was the holiday season, Larry and I and our families joined a Capcom employee Christmas party that night. I do not recall meeting a Mr. Abedi or Nagvi or anyone I understood was a BCCI officer that evening or thereafter. Mr. Akbar, Mr. Puri and Sheik Khalil were there, but no business was discussed in my presence. Since wives and children were present,it was a purely social evening for us.

I never visited the Chicago offices of the Capcom affiliate that was on the Chicago Board of Trade. I was not a director or officer of that entity. Insofar as news reports of me investing in that firm, what I think actually happened was that the shareholders of the London firm were allocated shares of the Chicago subsidiary by virtue of their ownership of the London firm. In any event, it is my clear recollection that the only money I invested in any Capcom entity was the $90,000 I ultimately invested in the London unit.

As I mentioned, I believe I only had one other conversation with Mr. Akbar. It was a telephone call from him. I do not recall anything of the conversation except that I could not understand him because of his accent and the poor connection. Probably for that reason, he never called me again nor did I call him. For that matter, putting aside those portions of my periodic conversations with Mr. Romrell that touched on Capcom from time to time, I do not recall that I ever called anyone from or about Capcom, nor do I recall ever being called by anyone else from or about Capcom.

Thus, as you can imagine, I was totally shocked and deeply embarrassed when I learned in October 1988 that Capcom had been indicted. I believe I learned it from Mr. Romrell when he reported to me that he had gotten a call from a Capcom employee, John Parry an Englishman in London, reporting the event and, as I recall, asserting to Larry that it was all a mistake.

Once I got the news, I spent a fairly brief period unsuccessfully trying to get my investment returned to me, and resigned from the Board as did Mr. Romrell.

That is the story of my involvement with Capcom.

It has resulted in expected, but nonetheless painful, press speculation of something more sinister than the simple truth that I was just plain defrauded. But that is all there was. As you might expect, I have searched my memory and still I am left with the conclusion that I knew nothing that would have led me to suspect any involvement in money laundering or similar activity.

I have drawn some consolation from a transcript that my lawyer obtained through a FOIA request of a federal undercover agent's meetings in London with Mr. Akbar. I understand your Staff has a copy of that transcript. In it Mr. Akbar explained at least three times that Larry Romrell and I were deliberately kept in the dark by the Capcom managers. That is certainly true. I had absolutely no idea that Capcom was involved in any unlawful activity.

Accordingly, while I understand why the Subcommittee would like to know the story, I am hopeful that this information answers those questions.

In addition to the foregoing, you have asked a few other questions to which I would like to respond.

I have never met Mohammed Rahim Irvani, Ali Irvani, Bahan Irvani, Clark Clifford or Alfred Hartman. I do not know any of these people personally, and have had no dealings with them. However, I did know Kerry Fox quite

well in the late 1960's and early 1970's. Kerry was a sales representative for some major U.S. suppliers that made sales calls on our microwave division. I never discussed any matter concerning BCCI or Capcom with Kerry. To the best of my recollection, I have not seen Kerry in the past eight to ten years.

Please advise me or my counsel if there remain any questions.

Sincerely yours,

Bob Magness

Subscribed and affirmed before me this 13th day of May 1992.



Patricia A. Culp
Notary Public

10-19-94
Commission Expiration Date

JOHN KERRY
MASSACHUSETTS

United States Senate

WASHINGTON, DC 20510

June 9, 1992

Mr. Bruce F. Black
Holme, Roberts and Owen
Suite 4100
1700 Lincoln
Denver, Colorado 80203

Dear Mr. Black:

As I indicated to you on Monday, the Subcommittee is interested in following up on the interview held with Mr. Romrell in our offices on June 5, 1992. I am therefore sending along a set of questions which the Subcommittee requests be answered in affadavit form and provided to our offices no later that June 25, 1992.

Thank you for your continued cooperation. Should you have any questions, please don't hesitate to call me at (202) 224-2742.

Sincerely

David McKean
Investigative Counsel

57-961 174

QUESTIONS FOR MR. LARRY ROMRELL

1.) Where were you born?

2.) Where were you educated?

3.) Where were you first employed after school? Please describe the nature of the business and your responsibilities.

4.) When did you first meet Mr. Kerry Fox? How often did you have contact with Mr. Fox during the decade of the 1960's (weekly, monthly, semi-annually)? During the the decade of the 1970's ? During the 1980's ? Please tell the Subcommittee what you know about Mr. Fox' professional background.

5.) When did you first meet Mr. Robert Magness? Please describe your relationship with Mr. Magness as it has developed over the years.

6.) Do you know if Mr. Magness knows Mr. Fox? If so, when did you learn this? Please describe the relationship between Mr. Magness and Mr. Fox as you understand it.

7.) Do you know if Mr. Fox has a security clearance? If so, how do you know this?

8.) When did you become General Manager of Western Mountain Microwave? What was your salary at this time?

9.) During the 1970's did you receive a security clearance from the U.S. government? Please list the agency which gave you the clearance. Please indicate the level of clearance, the date granted and the date terminated.

10.) On how many occasions (projects) did you use your clearance during the decade of the 1970's? During the 1980's?

11.) As the General Manager of Western Mountain Microwave, did you travel overseas for business purposes? To what countries? Please describe the foreign projects on which you worked? Was Kerry Fox involved in any of these projects? If so, please specifiy the substance of each such project.

12.) When did Western Mountain Microwave become part of TCI? When did WTCI spin off from TCI? Why?

13.) When did you become a Vice-President of WTCI? What was your annual salary as a WCI Vice-President?

14.) As Vice-President for WTCI did you ever travel overseas on

business? Please describe the projects you worked on and whether or not they required use of your security clearance.

15.) When and how did you first meet Z.A. Akbar?

16.) What did you understand Mr. Akbar's employment to be? Did Mr. Akbar indicate that he was interested in purchasing real estate in the West for wealthy Mid-East clients? Did he identify those clients to you? When did you first learn that Mr. Akbar represented Mr. Khalil?

17.) When did you first meet Mr. A.R. Khalil?

18.) Did you understand Mr Khalil to have been employed by the Saudi government (if so, in what position(s)? Did you learn that he had connections to any intelligence agencies? If so, please specify how you learned this information?

19.) Did you ever learn that Mr. Khalil was meeting with representatives of the Federal Reserve in Washington D.C. in April, 1981? If so, from who, and on what date?

21.) Did you introduce Mr. Akbar to Mr. Magness?

22.) Did you introduce Mr. Khalil to Mr. Magness?

23.) Please identify all real estate ventures in which you were involved with Mr. Khalil as a partner, manager, broker, or any other capacity.

24.) Regarding each purchase of real estate in the United States by Mr. Khalil, please specify your understanding of the purpose of the purchase -- governmental, business, investment, personal use, ect.?

25.) Did BCCI provide the financing for these real estate projects? Please provide the terms for any financing provided by BCCI on each project. Why did you deal with BCCI rather than a local American bank?

26.) During the period 1981 to 1984, did you ever visit any of the BCCI offices? Where? Which BCCI officials were you introduced to?

27.) Did you ever have any discussions about the telecommunications business during this period with Mr. Akbar, Mr. Khalil or with anyone associated with BCCI? If so, please specify the substance of such discussions.

28.) One of the documents that you provided to the Subcommittee indicates that in 1982 you offered to manage BCCI's investments in the United States. What investments had BCCI made in the United States? Who did you understand to have been managing those investments? Did BCCI encourage you to propose

investments? What were you told that you would receive in return? Did you receive any payment from BCCI at any time? If so, please specify the amount received and the purpose of the proposal.

29.) What investments did you suggest to BCCI? Please briefly list all proposals, including relevant dates.

30.) Please specify if any of your proposals were acted upon? How many involved the communications industry?

31.) Did any employee or official of BCCI ever provide introductions to any employee or official of TCI or WTCI in the Mid-East? If so, please specify.

32.) Did TCI, WTCI or any related entity ever supply any communications equipment to Iraq? To any country in the Middle-East? If so, please specify.

33.) Did TCI, WTCI or any related entity ever have any contact with any branch, or official connected to the National Banco Lavaro? If so, please specify.

34.) Did the Saudis or anyone from BCCI ever recommend any individual for employment at TCI or WTCI?

35.) In 1984 was TCI in an expansion and acquisition mode? Was WTCI in an expansion and acquisition mode? If so, how was that expansion financed?

36.) What is TCI, England? When was it established, and for what purpose?

37.) Have you ever had any role in TCI, England?

38.) Have you ever visited the offices of TCI, England?

39.) To your knowledge, has Mr. Akbar, Capcom, BCCI, or any BCCI shareholder ever had anybusiness dealing, or proposed business dealing with TCI, England? TCI, U.S., or any related entity?

40.) Please explain a March 19, 1984 letter from you to Mr. Akbar in which you claim to have "established a $100,000 credit line with which to purchase stock and, in addition that you have authorized me to purchase stock in your behalf up to a $100,000 limit." Did you, in fact, establish a joint credit line? For what purpose?

41.) Why were you chosen to be a director of Capcom?

42.) Did you have any background in the commodities markets?

43.) During the time that you were a director of Capcom, did you ever provide any advice on the operations or management of Capcom?

44.) How many Capcom Board of Directors meetings did you attend?

45.) Did you ever attend any of the BCCI annual conferences?

46.) As Chairman of the Board of Capcom, did you ever travel overseas? If so, for what specific purpose?

47.) What was your initial investment in Capcom?
How did you decide to make your investment in Capcom?

48.) What was the initial capitalization of Capcom?

49.) How many shares of stock did you hold of Capcom at its inception?

50.) How much money did you and Mr. Magness ultimately invest in Capcom?

51.) How much of your total investment in Capcom was financed? Who provided the financing?

52.) How many shares of Capcom stock did you ultimately hold?

53.) When, and from whom, did you first hear the name Paten Holdings? At the time, what did you understand Paten Holdings to be? What do you now understand Paten Holdings to be?

54.) Did you ever hold stock on behalf of Mr. Z. Akbar? Why?

55.) Did you consult any counsel as to the legal consequences of holding stock on behalf of another individual? If so, please specify.

56.) Did you at any time and for any purpose ever act as a nominee for Mr. Akbar, Capcom or BCCI? If so, please specify.

57.) What is Peniel Investments?

58.) Have you ever met Cecile Ringenberg? If so, please specify the date, location and substance of the meeting(s).

59.) Who is Robert Powell? Did Mr. Akbar or Mr. Khalil ever discuss Mr. Powell with you? When did Mr. Powell become a member of the Capcom Board of Directors? What was the size of his holdings in Capcom? Did the size of his holdings change over time?

60.) What was ZASK? What did ZASK stand for?

61.) What was the Ixora account? Did you help to establish an Ixora trust in the Cayman Islands? What legal counsel did you use? Who refered you to the legal counsel?

62.) Did you have signatory power over an Ixora bank account?

63.) Do you currently and have you ever maintained an offshore banking account? If so, please provide the name of the institution, relevant dates, account numbers, and approximate current value of the accounts.

64.) What was the Capital Fund? When and how did you learn that Kerry Fox was a director of the Capital Fund?
Did you ever discuss the Capital Fund with Kerry Fox?

65.) During the period that you were the Chairman of the Board of Capcom, on how many occasions did you meet with Mr. Akbar? With Mr. Khalil? Did you ever meet Mr. Powell? Did you ever Mr.Kamal Adham?

66.) What was the rationale behind the 1987 corporate reorganization of Capcom U.S.A.?

67.) Was there an investigation by the Chicago Board of Trade during this period? Did investigators from the CBOT interview you at this time? Has anyone from any of the regulatory exchanges ever interviewed you?

68.) Do you know or have you ever met any of the following individuals:

Mr. Charles Hostler?
Mr. Richard Helms?
Mr. Raymond Close?
Mr. Robert Altman?
Mr. Mohammed Hammoud?
Mr. Roy P.M. Carlson?

69.) Please describe the process by which you made documents available to the Subcommittee? Where were the documents held? Did you turn over all relevant documents?

70.) Please provide the Subcommittee with a list of all political contributions which you have made during the last 12 years. Did anyone from BCCI or Capcom ever ask you to make a political contribution to any U.S. politician?

71.) Have you ever visited Oman? Do you know if Mr. Fox has ever visited Oman?

ANSWERS OF LARRY ROMRELL TO QUESTIONS FROM SENATE SUBCOMMITTEE

1. QUESTION: Where were you born?

ANSWER: St. Anthony, Idaho on December 30, 1939.

2. QUESTION: Where were you educated?

ANSWER: I graduated high school in Pocatello, Idaho. After I graduated high school, I attended a technical school connected to Idaho State College for one year, where I studied electronics.

3. QUESTION: Where were you first employed after school? Please describe the nature of the business and your responsibilities.

ANSWER: Just before the 1959 school year was over I obtained a job at Pocatello's first television station, installing the studio and transmitter equipment. I later helped operate this equipment. I believe sometime in late 1960 the television station lost its network affiliation with NBC to a competing station in Idaho Falls. All of the employees were let go and I found employment in Salt Lake City with a subsidiary of Time, Inc., which was bought out shortly after I went to work there by Columbia Pictures. My primary responsibility was operating transmitter equipment for their station KTVX. Also housed in the same building, which I operated, was the local educational broadcaster's equipment as well as an FM station.

4. QUESTION: When did you first meet Mr. Kerry Fox? How often did you have contact with Mr. Fox during the decade of the 1960's (weekly, monthly, semi-annually)? During the decade of the 1970's? During the 1980's? Please tell the Subcommittee what you know about Mr. Fox's professional background.

ANSWER: I first met Kerry Fox in approximately 1962 or 1963. He was with Collins Radio Company of Dallas, Texas at that time. Collins was one of our principal suppliers of microwave equipment. During the 1960's I had contact with Mr. Fox approximately semi-annually. During the 1970's I had contact with Mr. Fox approximately monthly. From approximately 1981 through 1984, when Mr. Fox and I were engaged in real estate investments together, I had contact with him approximately weekly. After 1984, my contact with Mr. Fox was sporadic but infrequent.

Mr. Fox's professional background, as I know it, is based on information from him. It is my understanding that he worked with Aramco Oil Company and then, I believe, Collins Radio in Dallas. He spent a short time with Martin Marietta in the commercial microwave effort and then returned to the company which acquired Collins Radio, Rockwell Radio Division. Eventually, he left there for his current position. During all of my association with Mr. Fox I always believed him to have the highest personal integrity, and I never saw anything that caused me to question his honesty and trustworthiness.

5. QUESTION: When did you first meet Mr. Robert Magness? Please describe your relationship with Mr. Magness as it has developed over the years.

ANSWER: In 1961, for personal reasons, I decided to look for a job in Montana. I contacted Mr. Magness's chief engineer, who I had met during my employment with the Pocatello broadcast station, and was tentatively hired by him subject to an interview with Bob Magness. The date of hire was March 1, 1961. I met Bob Magness at his office sometime during the second week of March in 1961. We became close friends and have remained so to this day.

6. QUESTION: Do you know if Mr. Magness knows Mr. Fox? If so, when did you learn this? Please describe the relationship between Mr. Magness and Mr. Fox as you understand it.

ANSWER: Mr. Magness knows Mr. Fox. I do not know when I learned this, but I believe they have known each other since the early 1960's. Mr. Fox was an officer in a company with which we did a lot of business. I believe that the relationship between Mr. Magness and Mr. Fox has always been related to our purchases of equipment from Collins and Rockwell.

7. QUESTION: Do you know if Mr. Fox has a security clearance? If so, how do you know this?

ANSWER: I do not know if Mr. Fox has a security clearance.

8. QUESTION: When did you become General Manager of Western Mountain Microwave? What was your salary at this time?

ANSWER: I became General Manager of Western Microwave in approximately 1964. My salary at that time was approximately $24,000.

9. QUESTION: During the 1970's did you receive a security clearance from the U.S. government? Please list the agency which gave you the clearance. Please indicate the level of clearance, the date granted and the date terminated.

ANSWER: I received a security clearance on May 31, 1972 from the Defense Industrial Security Office in Columbus, Ohio. My level of clearance was Secret. As part of a corporate decision to get out of the government contracting business, all corporate employees' security clearances were terminated in 1992. My clearance was terminated on March 6, 1992.

10. QUESTION: On how many occasions (projects) did you use your clearance during the decade of the 1970's? During the 1980's?

ANSWER: I do not recall ever using my clearance or seeing any classified information or documents. My understanding is that I had a clearance because I had managerial responsibility over projects that may have related to classified material, and that everyone associated with such projects was required to obtain a clearance.

11. QUESTION: As the General Manager of Western Mountain Microwave, did you travel overseas for business purposes? To what countries? Please describe the foreign projects on which you worked. Was Kerry Fox involved in any of these projects? If so, please specify the substance of each such project.

ANSWER: There was never a company called Western Mountain Microwave. There were two companies, one called Western Microwave, and one called Mountain Microwave.

In approximately 1974, I travelled overseas to Coventry, England on the invitation of GEC to look at equipment developed by GEC. I spent approximately one week at GEC's facilities. Kerry Fox was not involved in this project in any way.

12. QUESTION: When did Western Mountain Microwave became part of TCI? When did WTCI spin off from TCI? Why?

ANSWER: I believe that Western Microwave and Mountain Microwave became subsidiaries of WTCI, a subsidiary of TCI, in 1970 when TCI was organized. WTCI was spun off from TCI in 1984 as a separate public company in which TCI did not own any shares.

13. QUESTION: When did you become a Vice-President of WTCI? What was your annual salary as a WTCI Vice-President?

ANSWER: I became a vice president of WTCI in about 1984 at the time that WTCI was spun off from TCI. My annual salary at that time was approximately $38,000.

14. QUESTION: As Vice-President for WTCI did you ever travel overseas on business? Please describe the projects you worked on and whether or not they required use of your security clearance.

ANSWER: I travelled overseas on business to Saudi Arabia in approximately 1975 with Kerry Fox as part of WTCI's contract with Rockwell to install microwave equipment in the Saudi desert. We were there for approximately 10 days, during which time I did not meet or have any contact with any Saudi officials. I also travelled overseas on business on several occasions to Sarajevo and Belgrade, Yugoslavia with ABC television in connection with the television coverage of the 1984 Olympics. No security clearance was required for any of these projects. See also my answer to question 11.

15. QUESTION: When and how did you first meet Z.A. Akbar?

ANSWER: I first met Mr. Akbar sometime in the fall or winter of 1980-81. See also answer to question 16.

16. QUESTION: What did you understand Mr. Akbar's employment to be? Did Mr. Akbar indicate that he was interested in purchasing real estate in the West for wealthy Mid-East clients? Did he identify those clients to you? When did you first learn that Mr. Akbar represented Mr. Khalil?

ANSWER: In 1980 and 1981, Kerry Fox and I were building a duplex in Vail, Colorado. We intended to sell the larger unit of the duplex to cover the costs of buying the land and building the duplex. Mr. Fox suggested that he might know of a prospective buyer, Sheik Khalil. Mr. Fox contacted Mr. Khalil to see if Mr. Khalil was interested. I understood that Mr. Khalil told Mr. Fox that Mr. Khalil would be sending his solicitor to look at the property. Mr. Fox and I went to the Denver airport to meet Mr. Khalil's representative and met Mr. Akbar.

When I first met Mr. Akbar, I understood him to be Mr. Khalil's representative and that he had travelled to Colorado, on behalf of Mr. Khalil, to look at the Vail duplex built by Mr. Fox and myself. Sometime during that visit I also learned that Mr. Akbar was associated with a bank called BCCI. Either at that first meeting or sometime after, Mr. Akbar told me that he represented other wealthy Mid-East clients, whom he did not identify to me. Sometime after that first meeting, Mr. Akbar told me that his clients might be interested in investing in Colorado real estate.

17. QUESTION: When did you first meet Mr. A.R. Khalil?

ANSWER: I met Mr. Khalil sometime in the late winter or spring of 1981 when Mr. Khalil came to Colorado to look at the Vail duplex.

18. QUESTION: Did you understand Mr. Khalil to have been employed by the Saudi government (if so, in what position(s))? Did you learn that he had connections to any intelligence agencies? If so, please specify how you learned this information.

ANSWER: Mr. Fox spoke to me about Mr. Khalil before I ever met Mr. Khalil. Mr. Fox described Mr. Khalil as a wealthy Saudi businessman, and I believe that Mr. Fox mentioned that he had prior business dealings with Mr. Khalil. At some point, and I do not recall the source or time, I got the impression that Mr. Khalil had been connected with Saudi intelligence. These impressions were never confirmed, and I never discussed the subject with Mr. Khalil.

19. QUESTION: Did you ever learn that Mr. Khalil was meeting with representatives of the Federal Reserve in Washington D.C. in April, 1981? If so, from who, and on what date?

ANSWER: At some time, and I do not remember when, Mr. Khalil told me that he would be visiting Washington for a few days. I believe that he mentioned that his son, Khalid Khalil, attended school in Washington. I never learned that Mr. Khalil met with representatives of the Federal Reserve in Washington in April 1981, or at any other time.

21. QUESTION: Did you introduce Mr. Akbar to Mr. Magness?

ANSWER: Yes. I do not remember the exact date. Once when Mr. Akbar was travelling through Colorado, I believe with Mr. Puri, he asked if he could meet Mr. Magness. Mr. Akbar and Mr. Puri came to Mr. Magness's office and I introduced them to Mr. Magness.

22. QUESTION: Did you introduce Mr. Khalil to Mr. Magness?

ANSWER: To my knowledge, Mr. Magness met Mr. Khalil only once. That meeting was at a dinner that Mr. Magness and I attended in London sometime in the mid-1980's.

23. QUESTION: Please identify all real estate ventures in which you were involved with Mr. Khalil as a partner, manager, broker, or any other capacity.

ANSWER: Fox-Romrell partnership built a duplex in Vail, Colorado. Mr. Khalil leased the larger unit in the duplex, with an option to buy.

Mr. Khalil suggested that he invest in other projects in the area with Mr. Fox and me. Mr. Fox and I discussed investing in several lots of raw land in Beaver Creek, Colorado, with the intention of building and selling luxury houses or condominiums. I believe that Mr. Fox discussed the prospect with Mr. Khalil and that Mr. Khalil expressed some interest. The project was abandoned before any deal was closed. I did not consider any other projects with Mr. Khalil.

24. QUESTION: Regarding each purchase of real estate in the United States by Mr. Khalil, please specify your understanding of the purpose of the purchase -- governmental, business, investment, personal use, etc.?

ANSWER: Mr. Khalil leased a unit in the Vail, Colorado duplex built by Fox-Romrell partnership. I understood his purpose in that transaction to be purely personal. Mr. Fox told me that Mr. Khalil had purchased houses in Florida and Dallas. I assumed that Mr. Khalil purchased those houses for his personal use. I am not aware of any other purchase of real estate in the United States by Mr. Khalil.

25. QUESTION: Did BCCI provide the financing for these real estate projects? Please provide the terms for any financing provided by BCCI on each project. Why did you deal with BCCI rather than a local American bank?

ANSWER: I do not know whether BCCI provided financing to Mr. Khalil.

26. QUESTION: During the period 1981 to 1984, did you ever visit any of the BCCI offices? Where? Which BCCI officials were you introduced to?

ANSWER: During the period 1981 to 1984, I visited BCCI's main office in London, on Leadenhall street, approximately three times. The purpose of each of those visits was to meet with Mr. Akbar. Mr. Akbar appeared in every respect to be a legitimate representative of a large international bank with offices throughout London. Mr. Akbar always presented himself to me as a highly professional banker who, in his personal life, was devout, charitable, and dedicated to his family.

I also met other BCCI employees who showed me to Mr. Akbar's office, but I do not remember any of them.

27. QUESTION: Did you ever have any discussions about the telecommunications business during this period with Mr. Akbar, Mr. Khalil or with anyone associated with BCCI? If so, please specify the substance of such discussions.

ANSWER: I have always been proud of TCI and WTCI and my position at WTCI. I told Mr. Akbar and Mr. Puri that both companies were very good companies.

On one occasion, an individual approached me about TCI becoming involved in a cable television project in Saudi Arabia. I thought that Mr. Khalil might be able to help me to learn if the proposed project was legitimate. I also thought that Mr. Khalil might be able to assist us if we decided to pursue the project. I believe that I wrote a letter to Mr. Akbar requesting him to pass my inquiries on to Mr. Khalil. I do not know whether Mr. Akbar passed my inquiry on to Mr. Khalil. In any event, Mr. Khalil never responded, and we did not pursue the project.

28. QUESTION: One of the documents that you provided to the Subcommittee indicates that in 1982 you offered to manage BCCI's investments in the United States. What investments had BCCI made in the United States? Who did you understand to have been managing those investments? Did BCCI encourage you to propose investments? What were you told that you would receive in return? Did you receive any payment from BCCI at any time? If so, please specify the amount received and the purpose of the proposal.

ANSWER: I am not familiar with the document to which you refer. However, I was not aware of any investments that BCCI had made in the United States. Mr. Akbar had indicated to me that his clients or BCCI -- I always had difficulty distinguishing between Mr. Akbar's actions on behalf of his Mid-East investor clients and his actions on behalf of BCCI -- might be interested in investing in the United States, principally in "bricks and mortar" office buildings. I suggested some possible investments to Mr. Akbar. I never sought or received any compensation from BCCI or Mr. Akbar for managing properties or anything else.

29. QUESTION: What investments did you suggest to BCCI? Please briefly list all proposals, including relevant dates.

ANSWER: I did not suggest any investments directly to BCCI. I passed along to Mr. Akbar various potential real estate investments of which I learned. I did not know whether he was acting on behalf of BCCI or on behalf of his Mid-East clients. I remember suggesting the following properties:

In mid-1982 I informed Mr. Akbar that Dr. Charles Howard was attempting to sell the Houston Medical Center. Mr. Akbar visited the Medical Center and had discussions with Dr. Howard but, to my knowledge, nothing came of those discussions.

In early 1983 I informed Mr. Akbar of an opportunity to purchase the Stouffer's Inn near the Denver airport. I do not recall receiving a response on this prospect.

In mid-1984 I informed Mr. Akbar of an opportunity to purchase the Playa Vista office building in southern California. I believe that there was some discussion regarding this property but, to my knowledge, nothing came of it.

In mid-1983 I informed Mr. Akbar of an opportunity to purchase some farmland and attached water rights near Miliken, Colorado in a partnership with the Ehrlich brothers. I discussed this project in some detail with Mr. Puri, but no investment was made.

In mid-1984 I informed Mr. Puri of a possible opportunity to enter into a purchase-leaseback transaction with Beehive International, Inc. relating to a building in a Salt Lake City industrial park. I do not recall receiving any response on this prospect.

In early 1986 I informed Mr. Akbar of an opportunity to invest in a Denver-based laundromat company called Duds 'n' Suds. I do not recall receiving any response on this prospect.

In early 1986 I informed Mr. Akbar of an opportunity to purchase bare land and attached water rights near Phoenix, Arizona. I do not recall receiving any response on this prospect.

In the mid-1980's I informed Mr. Akbar of an opportunity to enter into a purchase-leaseback transaction with NTA Films relating to their office building in Los Angeles. There were some discussions about this opportunity, but nothing came of those discussions.

There may have been other properties that I mentioned either directly to Mr. Akbar or to Mr. Puri for the attention of Mr. Akbar.

30. QUESTION: Please specify if any of your proposals were acted upon. How many involved the communications industry?

ANSWER: None of the proposals was acted on. None of the proposals involved the communications industry.

31. QUESTION: Did any employee or official of BCCI ever provide introductions to any employee or official of TCI or WTCI in the Mid-East? If so, please specify.

ANSWER: Not to my knowledge.

32. QUESTION: Did TCI, WTCI or any related entity ever supply any communications equipment to Iraq? To any country in the Middle-East? If so, please specify.

ANSWER: To my knowledge, neither TCI, WTCI, nor any related entity supplied any communications equipment to Iraq or any other country in the Mid-East.
WTCI was a labor subcontractor to Rockwell on a project to install microwave equipment in Saudi Arabia. WTCI did not supply any equipment for this project.

33. QUESTION: Did TCI, WTCI or any related entity ever have any contact with any branch, or official connected to the National Banco Lavaro? If so, please specify.

ANSWER: Not to my knowledge.

34. QUESTION: Did the Saudis or anyone from BCCI ever recommend any individual for employment at TCI or WTCI?

ANSWER: Not to my knowledge.

35. QUESTION: In 1984 was TCI in an expansion and acquisition mode? Was WTCI in an expansion and acquisition mode? If so, how was that expansion financed?

ANSWER: I cannot speak for TCI because I was not part of TCI at that time. WTCI was in an expansion mode in 1984 financed by domestic bank debt. BCCI was not involved in financing any of this expansion, or at any other time to my knowledge.

36. QUESTION: What is TCI, England? When was it established, and for what purpose?

ANSWER: I am not familiar with "TCI, England," and would be surprised if that is the proper name of a company there. To my knowledge, TCI did not have any business in the United Kingdom until it acquired United Artists in December 1991. Therefore, I do not know what "TCI, England" is, when or if it was established, or for what purpose. So far as I know, it has no relationship to the TCI for which I work.

37. QUESTION: Have you ever had any role in TCI, England?

ANSWER: No.

38. QUESTION: Have you ever visited the offices of TCI, England?

ANSWER: No.

39. QUESTION: To your knowledge, has Mr. Akbar, Capcom, BCCI, or any BCCI shareholder ever had any business dealing, or proposed business dealing with TCI, England? TCI, U.S., or any related entity?

ANSWER: The only relationship of which I am now aware was that TCI had an investment in United Artists, which made an investment in ATC, with which I have since learned that Mr. Akbar was affiliated.

40. QUESTION: Please explain a March 19, 1984 letter from you to Mr. Akbar in which you claim to have "established a $100,000 credit line with which to purchase stock and, in addition that you have authorized me to purchase stock in your behalf up to a $100,000 limit." Did you, in fact, establish a joint credit line? For what purpose?

ANSWER: In 1984, following the spinoff of WTCI, the stock might became available on the market. I contacted Mr. Akbar to inquire whether BCCI would lend money with which I could purchase shares. In that conversation, I understood that Mr. Akbar agreed to establish a line of credit for me, and that he also was interested in purchasing stock. There was no discussion of any joint line of credit, or even of how Mr. Akbar might finance his purchase. The March 19, 1984 letter reflects that understanding. However, I never received a response from Mr. Akbar. I never received the line of credit mentioned, I never put Mr. Akbar in touch with my broker, and, to my knowledge, Mr. Akbar never invested in TCI or WTCI.

41. QUESTION: Why were you chosen to be a director of Capcom?

ANSWER: Mr. Puri asked me to become a director of Capcom. I did not know his reasons for asking me. I believed that all shareholders were invited to join the board.

42. QUESTION: Did you have any background in the commodities markets?

ANSWER: No.

43. QUESTION: During the time that you were a director of Capcom, did you ever provide any advice on the operations or management of Capcom?

ANSWER: I do not recall that my advice ever was solicited other than with regard to choosing a communications system between the London and Chicago offices. On a few other occasions, I made suggestions to Mr. Puri or Mr. Herst. I do not know if any of my suggestions was followed. I had nothing to do with the day-to-day management of Capcom.

44. QUESTION: How many Capcom Board of Directors meetings did you attend?

ANSWER: I am not sure how many Capcom Board of Directors meetings I attended. I estimate that I attended fewer than 10 meetings.

45. QUESTION: Did you ever attend any of the BCCI annual conferences?

ANSWER: No.

46. QUESTION: As Chairman of the Board of Capcom, did you ever travel overseas? If so, for what specific purpose?

ANSWER: On two occasions I travelled to Cairo for meetings sponsored by Capcom in a marketing effort by Capcom to develop business from Mid-East investors. I gave a welcoming speech at each of the meetings.

47. QUESTION: What was your initial investment in Capcom? How did you decide to make your investment in Capcom?

ANSWER: My initial investment in Capcom was 10,000 pounds. I chose to invest in Capcom because Mr. Akbar invited me to invest and because the investment sounded attractive.

48. QUESTION: What was the initial capitalization of Capcom?

ANSWER: The initial capitalization of Capcom was one million pounds.

49. QUESTION: How many shares of stock did you hold of Capcom at its inception?

ANSWER: 10,000.

50. QUESTION: How much money did you and Mr. Magness ultimately invest in Capcom?

ANSWER: We each invested 250,000 pounds in Capcom.

51. QUESTION: How much of your total investment in Capcom was financed? Who provided the financing?

ANSWER: Paten Holdings provided 169,500 pounds in financing, and BCCI provided approximately 59,000 pounds in financing for my Capcom investment. Both loans were secured by the stock.

52. QUESTION: How many shares of Capcom stock did you ultimately hold?

ANSWER: Ultimately I owned 250,000 shares, and held and voted an additional 2,500,000 shares.

53. QUESTION: When, and from whom, did you first hear the name Paten Holdings? At the time, what did you understand Paten Holdings to be? What do you now understand Paten Holdings to be?

ANSWER: I first heard of Paten Holdings from Mr. Akbar in approximately 1985, at the time of the final capitalization of Capcom. At that time I understood Paten Holdings to be a Swiss bank. I do not now know what Paten Holdings was or is.

54. QUESTION: Did you ever hold stock on behalf of Mr. Z. Akbar? Why?

ANSWER: Mr. Akbar asked me to hold 10% of the stock in Capcom. He told me that I was holding the stock on behalf of one of the other investors, but did not specify whom. He did not tell me that I was holding it on his behalf.

55. QUESTION: Did you consult any counsel as to the legal consequences of holding stock on behalf of another individual? If so, please specify.

ANSWER: Yes I consulted with counsel. The specifics of those consultations are privileged attorney-client communications.

56. QUESTION: Did you at any time and for any purpose ever act as a nominee for Mr. Akbar, Capcom or BCCI? If so, please specify.

ANSWER: To the best of my understanding, I never acted as a nominee for Mr. Akbar, Capcom, or BCCI. I held and voted 10% of the stock in Capcom, although that stock was paid for by someone else. I do not know who.

57. QUESTION: What is Peniel Investments?

ANSWER: I do not know.

58. QUESTION: Have you ever met Cecile Ringenberg? If so, please specify the date, location and substance of the meeting(s).

ANSWER: Not to my knowledge.

59. QUESTION: Who is Robert Powell? Did Mr. Akbar or Mr. Khalil ever discuss Mr. Powell with you? When did Mr. Powell become a member of the Capcom Board of Directors? What was the size of his holdings in Capcom? Did the size of his holdings change over time?

ANSWER: I never met Robert Powell. I do not know who he is. I noticed his name on the list of Capcom shareholders and assumed that he was another of Mr. Akbar's investor clients. I never asked anyone about him or paid attention to his shareholdings in Capcom. To my knowledge, he never was a member of the Capcom Board of Directors.

60. QUESTION: What was ZASK? What did ZASK stand for?

ANSWER: I understood that Zask was a company that held shares in Capcom Futures, Inc. I do not know what Zask is or was. I do not know where the name came from.

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61. QUESTION: What was the Ixora account? Did you help to establish an Ixora trust in the Cayman Islands? What legal counsel did you use? Who referred you to the legal counsel?

ANSWER: Ixora Investments Ltd. had an account with First National Bank of Chicago. To my knowledge there were no transactions in that bank account. I learned from the Subcommittee that Ixora also had an account at Capcom, but I have no knowledge of that account.

Ixora was a Cayman Islands corporation that was owned by Mr. Akbar. Mr. Akbar asked me to find the name of a Cayman Islands lawyer to set up the company. I asked lawyers whom I knew in Denver if they could recommend a lawyer in the Cayman Islands to handle this matter. I do not remember who made the recommendation, but someone suggested that I contact Richard Lightbourne of the Cayman Islands firm of McKinney, Bancroft & Hughes. I corresponded with Mr. Lightbourne and he handled legal matters relating to Ixora for Mr. Akbar. To my knowledge, Ixora never conducted any business whatsoever.

62. QUESTION: Did you have signatory power over an Ixora bank account?

ANSWER: No. To my knowledge, Mr. Akbar was the only person with signatory power.

63. QUESTION: Do you currently and have you ever maintained an offshore banking account? If so, please provide the name of the institution, relevant dates, account numbers, and approximate current value of the accounts.

ANSWER: No.

64. QUESTION: What was the Capital Fund? When and how did you learn that Kerry Fox was a director of the Capital Fund? Did you ever discuss the Capital Fund with Kerry Fox?

ANSWER: I learned about an investment fund (which I believe came to be called the Capital Fund) from Mr. Akbar. I recall only one conversation with Mr. Akbar about it. He did not give me any details. I understood from Mr. Akbar that it was an investment fund, and that he was going to ask Kerry Fox to serve as a director of the fund. At that point, because of personal differences, I was not speaking much with Kerry Fox. I do not recall ever discussing the Capital Fund with Mr. Fox.

65. QUESTION: During the period that you were the Chairman of the Board of Capcom, on how many occasions did you meet with Mr. Akbar? With Mr. Khalil? Did you ever meet Mr. Powell? Did you ever [sic] Mr. Kamal Adham?

ANSWER: While I was on the Board of Capcom I met with Mr. Akbar less than ten times, and with Mr. Khalil approximately two times. I never met Robert Powell or Kamal Adham.

66. QUESTION: What was the rationale behind the 1987 corporate reorganization of Capcom U.S.A?

ANSWER: I do not know what the company's rationale was. I understood that the Chicago Board of Trade was requiring the owners of Capcom Futures, Inc. to give guarantees to the Board of Trade for non-customer trades. Capcom Financial Services Ltd. held 78% of Capcom Futures, Inc. I understood that the Board of Trade would not accept a corporate guarantee from Capcom Financial Services Ltd., but insisted on personal guarantees from the individual shareholders of Capcom Financial Services Ltd. I also understood that some of the shareholders of Capcom Financial Services Ltd. were unwilling to give these guarantees. I further understood that the Board of Trade would be satisfied if the holdings of Capcom Financial Services Ltd. were transferred to other persons who would be willing to give these guarantees. Mr. Akbar asked me to give a guarantee. Mr. Akbar assured me that there was no exposure on this guarantee because Capcom Futures, Inc. did not do any non-customer trades. I agreed to do this, and I gave a personal guarantee.

67. QUESTION: Was there an investigation by the Chicago Board of Trade during this period? Did investigators from the CBOT interview you at this time? Has anyone from any of the regulatory exchanges ever interviewed you?

ANSWER: The Chicago Board of Trade investigated Capcom in the first half of 1987. I understood that the investigation related primarily to Capcom Financial Services Ltd. trading as a principal, and I understood that this was a common practice for brokerage houses with London and Chicago offices. To my understanding the investigation had nothing to do with the reorganization of Capcom Futures, Inc. I was never interviewed by any Board of Trade investigator or anyone from any of the regulatory exchanges at that time. I may have been interviewed earlier in connection with the application for a seat on the exchange.

68. QUESTION: Do you know or have you ever met any of the following individuals:

Mr. Charles Hostler?
Mr. Richard Helms?
Mr. Raymond Close?
Mr. Robert Altman?
Mr. Mohammed Hammoud?
Mr. Roy P.M. Carlson?

ANSWER: No.

69. QUESTION: Please describe the process by which you made documents available to the Subcommittee? Where were the documents held? Did you turn over all relevant documents?

ANSWER: Prior to the first contact between the Subcommittee and my counsel, I turned over, intact, my files relating to Capcom, Mr. Akbar, and BCCI to my counsel. I understand that my counsel have made available to the Subcommittee all non-privileged documents that the Subcommittee requested. Since receiving the Subcommittee's request, to insure that all responsive documents are located, we started, and are continuing, a page-by-page review of all of my files to see if any responsive documents might have been misfiled in unrelated files. This process has generated a few additional documents that are being made available to the Subcommittee. To the best of my knowledge, all responsive, non-privileged documents have been located and made available to the Subcommittee. Any additional responsive, non-privileged documents discovered in the ongoing page-by-page review will be produced.

70. QUESTION: Please provide the Subcommittee with a list of all political contributions which you have made during the last 12 years. Did anyone from BCCI or Capcom ever ask you to make a political contribution to any U.S. politician?

ANSWER: I started keeping a separate record of my political contributions beginning in 1985. To the best of my knowledge, I did not make any substantial political contributions prior to 1987. Nobody from BCCI or Capcom ever asked me to make a political contribution to a U.S. or any other politician. Nor did anyone from BCCI or Capcom ask me to lobby or make a special request on their behalf. Following is the list of political contributions reflected by my records:

1987

Hatch Election Committee	$ 500
Whip PAC/VEF	1000
Bush for President	2000

1988

Californians for Senator Pete Wilson	$ 500
Hecht Re-Election Committee	500
Committee to Re-Elect Joel Hefley	200
Dan Schaefer for Congress	200
Metzenbaum for Senate	1000

1989

Stevens for Senate	$1000
George Bush	1500
Schaefer to Congress -- Dinner	250
Coelho	2000
John Kerry for Senate	500
Republican Inner Circle -- Membership	2000
Capitol Conference Catering -- Dinner	550

1990

Republican Inner Circle -- Meeting Fees	$ 340
Congressman Ekhart	1000
Dan Schaefer	100
David Skaggs	1250
Oliver North Roast	500
Roy Romer	250
Hank Brown	500
Ernest Hollings	1000
Arliss Sturgulewski	1000
Virginia Collins	1000
Friends of Daniel Akaka	1000

1991

Cablepac	$1000
Packwood for Senate	1000
Dick Traini for Assembly	1000
Bill Richardson for Congress	500

71. QUESTION: Have you ever visited Oman? Do you know if Mr. Fox has ever visited Oman?

ANSWER: I never visited Oman. I do not know if Mr. Fox ever visited Oman.

I certify under penalty of perjury that the foregoing answers are true to the best of my knowledge, information, and belief. Executed at Englewood, Colorado on July 3, 1992.



Larry E. Romrell

BFBD/AR7

Robert E. Powell
P.O.Box: 5114 Ruwi
Muscat, Sultanate of Oman

Tel. NO.: 797120 Fax No.: (968) 708780

Date: 21 June 1992

David McKean
Office of Senator John F. Kerry
United States Senate
SR-421 Senate Russell Building
Washington, D.C. 20511
U.S.A.

Ref.: Robert E. Powell / CAPCOM Questions and Answers.

Dear Mr. McKean,

Attached please find copy of above referenced subject. I have taken the liberty of putting your questions and my answers together believing said format makes the subject more readable. Except for the incomplete answers for you questions 19, 20 & 25, I believe I have responded in good faith to your questions. You will be provided complete answers to the three questions for which I must obtain additional information before I can respond.

Let me hear from you should you have any need for additional information.

Regards,

Robert E. Powell

Robert E. Powell

Questions for Robert E. Powell
Answers to be provided in affidavit form

1) **Where were you born?**

Hagerstown, Maryland, USA , 12 January 1929.

2) **Where were you educated?**

Hagerstown, Maryland Secondary School. Shippensburg, Pennsylvania, Bs Sc. Ed. Class 53.

3) **Did you serve in the U.S. armed forces? if so, where? please list all locations where you were stationed for more than six months. Additionally, please describe your duties at each Station.**

a) Yes
b) US Navy, Feb. 1946. to Feb. 1948 & July 1950 to Sept. 1951
c) USS Topeka CL 67, USS Iowa BB 61, USS Latemer APA-142
d) Recruit, progressing to quarter Master 2/C

4) **Did you at any time provide services to the U.S. Armed Forces in Vietnam? If so, please identify the company through which those services were supplied. Additionally, please indicate the dates during which you provided these support services and where you were living at the time.**

a) Conam Services Inc., a California Company, to US Air Forces at eight or nine Tactical Air Bases in Vietnam 1965 - 1968.
b) Provided operation and maintenance of Diesel Power Generating Plants and Distribution Systems.
c) Long Beach, California

5) **When did you first meet Sheikh Kamal Adham? Where did you first meet Sheikh Adham? How were you first introduced to Mr. Adham? What did you understand his business to be?**

a) 1968
b) New York City
c) Mahmoud Arab
d) Advisor to H.M. King Fisal.

6) **When did you first meet Mahmoud Arab? Where did you first Meet Mahmoud Arab? How were you first introduced to Mr. Arab? what did you understand his business to be?**

a) 1968
b) Washington DC
c) He telephoned requesting a meeting.
d) Businessman.

REP

7) **When did you first meet A.R. Khalil? Where did you first meet Mr. Khalil? How were you first introduced to Mr. Khalil? What did you understand his business to be?**

a) 1968
b) New York City
c) Mahmoud Arab
d) Executive Administrator to H.E. Sheikh Kamal Adham

8) **What is Global Chemical Systems (Inc)? What services or products does Global Chemical Systems produce? When was it founded? By whom?**

a) A California Corporation
b) 1- Fabrication of Proprietary Plastic Covers for corrosion control of high Dollar value equipment in transit or storage.

2- Commissioning, operation and maintenance of Power and Desalination Plants and their related distribution systems.

c) 1974
d) E. Brad Atwood — J. Willard Nelson
Raymond Q. Steuer — Robert E. Powell

9) **When did you become affiliated with Global Chemical Systems?**

1974

10) **Who is on the Board of Directors of Global Chemical Systems?**

a) See (8) above for Founding members in 1974.
b) Today, Raymond Q. Steuer, Robert E. Powell

11) **In what countries does Global Chemical Systems operate?**

a) USA
b) However, I am a Director of the California Company and General Manager of a Saudi Company and an Omani Company with similar names. See enclosed brochure.

12) **Was there ever a U.S. subsidiary of Global Chemical Systems?**

No.

REP

13) **Was Global Chemical Systems U.S. recently sold to Chicago-based company named FABRICO? Please be as precise as possible about when the company was sold.**

a) Partial assets sold to Fabrico, no liabilities were transferred. Assets sold included proprietary formulas, product patterns, fabrication know-how, process know-how, customer and suppliers lists.
b) By Sell Agreement for assets concluded in Nov. 1991.
c) Company now undergoing voluntary liquidation.

14) **How was Global Chemical System U.S. sold -- had the company been advertised as having been for sale or did someone from FABRICO contact someone at Global Chemical indicating an interest in acquiring Global Chemical? who negotiated the deal for both companies? What was the reason for the sale? What was the sale price?**

a) Company used word of mouth through customers and suppliers to attract interested parties. No buyer for the total company could be found.

b) Fabrico made its interest known to Global's President E. Brad Atwood. The agreement to purchase assets was negotiated over approximately one year period of time. Negotiations between Fabrico and Global were begun by E. Brad Atwood and concluded by Raymond Q. Steuer and Robert E. Powell.

c) The nature of the customer procurement cycles (Feast or Famine) made it impossible to maintain consistent production, therefore profitability. Global's products and customers were complimentary (not competitive) with Fabrico's product lines.

d) Fabrico paid Global US$ 300,000 for the assets purchased.

15) **When did you first visit Saudi Arabia? For what purpose?**

a) Summer 1968
b) Meet the Commander of the Royal Saudi National Guard.

16) **When did you first visit Oman? For what purpose?**

a) Summer of 1976
b) Tender for operation and maintenance of Masirah Island Power & Desalination Plant.

PEP

17) **When did you first hear about Capcom? How did you first hear about Capcom?**

a) Sometime in 1984
b) Telephone call from S. Ziauddin Akbar

18) **Did you invest in Capcom? If so, Why?**

a) Yes
b) To help my friend S. Ziauddin Akbar to establish a new company and hopefully to earn some money either through stock partnership or payment of services rendered.

For your information, Ziauddin Akbar and myself were friends since 1976. I met him while he was working with National Bank of Oman (NBO), Muttrah Branch. Ziauddin was a good Account Officer who assisted me in developing a successful banking relationship with NBO. The Oman relationship continued when Ziauddin was transferred to London to work for BCCI. My business relationship with BCCI continued after Ziauddin resigned.

19) **How much money did you invest in Capcom? Was any portion of that investment financed? If so, by whom?**

a) Eighty Thousand Pounds
b) Yes
c) Uncertain at this time, I am attempting to find out. (you will be advised within thirty days).

20) **What percentage of holdings did you have in Capcom between 1984 and 1988? Please list holding on a year by year basis.**

a) As much as 15% falling to one(1) percent, but I cannot be certain. NO stock certificates have ever been received.
b) I am attempting to find out (you will be advised within thirty days).

21) **Did you ever hold stock in Capcom that was not your own - did you ever act as a nominee? If so, for whom? If so, what percentage of your holdings did you hold as a nominee? If so, did you receive any compensation from Capcom, BCCI or Mr. Akbar for agreeing to serve as a nominee?**

a) No.
b) No.

RSP

22) **How often did you communicate with Mr. Akbar about Capcom? (i.e. weekly, monthly, semi-annually).**

a) No pattern ever existed.
b) Ninety Five percent or more of telecon or written communication was originated by either Mr. Akbar or Mr. Saghir. The frequency is best characterized at less than six times a year.

23) **Did you ever meet Mr. Akbar in Europe? If so, When, where, and for what purposes? Please be as precise as possible, listing dated, locations and substance of conversation(s).**

a) Yes London only.
b) No more than once or twice a year.
c) Hotel room, restaurants and on one occasion, the CAPCOM offices on 09 St. Andrew Street, London.
d) The substance of conversations would be our families and mutual friends, Global's business and performance and how it goes with CAPCOM. We would review any CAPCOM papers about my stock or financial commitments that Akbar would request from time to time. Most documents regarding my relationship with CAPCOM would have been signed during my meeting, in London with Akbar.

24) **Besides Mr. Akbar, have you ever met any officers or directors of BCCI?**

a) Yes
b) Mr. M. Swaleh Naqvi and Mr. Agha Hussan Abedi and possibly others.

25) **Have BCCI ever provided a loan to you or any company with which you have been affiliated? If so, please provide the amount of the loan(s), the date(s) of issue, the terms of the loan(s) and the purpose of the loan(s).**

a) No. However, in the mid 1980, I did borrow 80,000 Pound Sterling. This loan could have come from BCCI. At this time, I have not yet recovered documents identifying source of these funds. You will be advised within thirty days.

b) The date this loan was negotiated would be some time in 1985 to 1987 time frame.

c) The purpose of the 80,000 Pound Sterling loan would be to pay for the 80,000 shares of CAPCOM London stock.

REP

26) **As a shareholder of Capcom, did you receive information about the company on a periodic basis? How often? What kind of information?**

a) Yes
b) Annual reports, 1985, 1986 and 1987.
c) Sales promotion literature
d) Information about changes in Stock ownership or call for funds three or four times.
e) Notices of meeting nine times. I never attended any Shareholders Meetings or any other meeting for that matter.

27) **Have you ever visited the Capcom offices in London, in Chicago?**

a) London, yes one time.
b) Chicago, No.

28) **Have you ever met Mr. Larry Romrell? If so, please provide the date, location and substance of the meeting(s).**

No.

29) **Have you ever met Mr. Robert Magness? If so please provide the date, location and substance of the meeting(s).**

No.

30) **Have you ever met Mr. Raymond Close? If so, please provide the date, location and substance of the meeting(s).**

No.

31) **Have you ever met Mr. Richard Helms? If so, please provide the date, location and substance of the meeting(s).**

No.

32) **Have you ever met Mr. Roy P.M. Carlson? If so, please provide the date, location and substance of the meeting(s).**

No.

33) **Have you ever met Mr. Adnan Khashoggi? If so, please provide the date, location and substance of the meeting(s).** RCP

No.

34) **Have you ever met Mr. Sam Bamieh? If so, please provide the date, location and substance of the meeting(s).**

No.

35) **Have you ever met Prince Nawaff? If so, please provide the date, location and substance of the meeting(s).**

No.

36) **When did you sell your interest in Capcom? To whom did you sell your interest? Why did you sell your interest in CAPCOM?**

a) It is my conviction that I still own 80,000 shares of CAPCOM London stock.
b) Sold stock in CAPCOM Chicago in Aug. 1990. Stock sold back to the company.
c) At the request of the Company.

37) **When did you first learn that Sheikh Kamal Adham had a connection to Saudi Intelligence? How did you learn this fact?**

a) 1968
b) Mahmoud Arab

38) **Do you know if Sheikh Kamal Adham has or had any connection to any U.S. government entities? If so, How do you know this fact?**

No.

39) **When did you first learn that A.R. Khalil had a connection to Saudi intelligence? How did you learn this fact?**

a) 1968
b) Mahmoud Arab

40) **Do you know if sheikh Khalil has or had a connection to any U.S. government entities? If so, how do you know this fact?**

No.

41) **Do you know if A.R. Khalil has ever held any other official positions in the Saudi Government?**

No.

42) **Have you ever worked for any U.S. government entity?**

No. (except U.S. Navy).

43) **Have you provided any information to any U.S. government entity? Is so, please provide the name of the entity and the date the information was provided.**

No.

44) **Have you or any company with which you have been affiliated ever provided any services to any foreign government entities? Is so, please specify the date, location and substance of the project(s).**

a) Yes
b) See attached Company Brochure.
c) All projects involved or were directly related to commissioning, operation and maintenance services or selling of protective covers.

45) **Have you ever invested in any communications or security systems company in the United States or abroad? If so, please provide the name of the company(s) and the details of your investment.**

No.

46) **Have you been interviewed by any U.S. law enforcement officials concerning your involvement in Capcom? Is so, please provide the date(s) of the interview, the name(s) of the officials, the agency(s) they worked for, whether the interview(s) was (were) conducted under oath and whether or not you were represented by counsel.**

a) Yes
b) Date of interview 21 May 1992
c) Name of official Joseph E. Onazem, Special Agent, Department of Treasury, Internal Review Service. Criminal Investigation Division. Address: 600 17th street, 15th floor, North Tower, Denver, Colorado 80265
d) Interview was not conducted under oath.
e) I was not represented by counsel.

47) **Have you ever met Mr. Bruce Rappaprt? If so, please provide the date, location and substance of the meeting(s).**

REP

No.

48) **Have you ever met Case Zawawi? If so, please provide the date, location and substance of the meeting(s).**

a) Yes H.E. Qais Al-Zawawi, Deputy Prime Minister for Financial Affairs, Sultanate of Oman, at several social affairs.
b) I do not have a record about dates or purpose of these social functions.

49) **Have you ever met Mr. Michael Pillsubry? If so, please provide the date, location and substance of the meeting(s).**

No.

50) **Have you ever met Mr. Kerry Fox? If so, please provide the date, location and substance of the meeting(s).**

No.

51) **What was the Capital Fund?**

I have no idea.

52) **What was Capital Management Services?**

I have no idea.

53) **What was ZASK?**

I have no idea.

Robert E. Powell

Subscribed and sworn to (affirmed) before me this 21st day of June 1992 at Muscat, Sultanate of Oman.

My commission expires on : **INDEFINITE**

Signature of Officer Administering Oath Norman T. Roule

Title Norman T. Roule

Vice Consul
Embassy of the United States of America
Muscat, Sultanate of Oman
21 JUN 1992

CLAIBORNE PELL RHODE ISLAND CHAIRMAN
JOSEPH R BIDEN, JR DELAWARE
PAUL S SARBANES MARYLAND
ALAN CRANSTON CALIFORNIA
CHRISTOPHER J DODD CONNECTICUT
JOHN F KERRY MASSACHUSETTS
PAUL SIMON ILLINOIS
TERRY SANFORD NORTH CAROLINA
DANIEL P MOYNIHAN NEW YORK
CHARLES S ROBB VIRGINIA
HARRIS WOFFORD PENNSYLVANIA
JESSE HELMS NORTH CAROLINA
RICHARD G LUGAR INDIANA
NANCY L KASSEBAUM KANSAS
LARRY PRESSLER SOUTH DAKOTA
FRANK H MURKOWSKI ALASKA
MITCH McCONNELL KENTUCKY
HANK BROWN COLORADO
JAMES M JEFFORDS VERMONT
GERYLD B CHRISTIANSON STAFF DIRECTOR
JAMES W NANCE MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, DC 20510-6225

July 1, 1992

by facsimile: (968) 708780

Mr. Robert E. Powell
P.O. Box 5114 Ruwi
Muscat
Sultanate of Oman

Dear Mr. Powell:

Thank you for your letter and the answers you provided to questions concerning your knowledge of Capcom. The Subcommittee appreciates your cooperation.

Some of your answers prompted additional questions and I am therefore sending you another set of inquiries. Once again, these questions should be answered in affadavit form. Please provide the answers no later than July 15, 1992.

Once the committee receives the answers responsive to questions 19,20 and 25 from the original set of questions, and answers to the attached set of questions, I do not anticipate that anything further will be required from you.

Again, thank you for your cooperation and should you have any questions, please don't hesitate to call me.

Sincerely,

David McKean
Investigative Counsel

Follow-up Questions for Robert E. Powell
Answers to be provided in affidavit form

1) **You have testified that Mr. Mahmoud Arab, a businessman, telephoned you requesting a meeting and that you subsequently met him in Washington D.C. in 1968. Why did Mr. Mahmoud call you? How did he get your name?**

   a) To encourage the company (CONAM Services Inc., a California Corporation) to visit Saudi Arabia to qualify to do business with the Royal Saudi National Guard.

   b) I do not remember whether or not he ever told me who recommended the company to him.

2) **Where specifically did you meet Mr. Mahmoud in Washington? On what date -- please be as exact as possible?**

   Was any one else present at the meeting?

   a) The Madison Hotel.

   b) March, April 1968 time frame.

   c) No.

3) **What did you understand Mr. Mahmoud's business to be? Did he tell you at that time that he worked for Sheikh Kamal Adham? If not, When did he provide you with this information?**

   a) Businessman attempting to bring American Companies into Saudi Arabia.

   b) I have no information to suggest that Mahmoud Arab ever "worked" for Sheikh Kamal Adham.

   c) At a later stage of our cooperation after I had met Sheikh Kamal.

REP

4) **Do you know if Mr. Mahmoud was connected with any intelligence agency of any country?**

No. I do not believe he ever worked for any person or organization other than himself.

5) **Where precisely in New York did yo meet with Sheikh Adham? Who requested the meeting -- you or Sheikh Adham? What was the substance of the meeting? Was Sheikh Khalil present? If not, when and where did you first meet Sheikh Khalil -- please be as precise as possible?**

a) Wordroff Astoria Hotel.

b) Mahmoud Arab

c) Social visit, lots of talk about differences between Democratic and Republican Presidential candidates. A little bit of talk about the company and the services we offer.

d) Yes, in another room. He was introduced to me during the visit.

6) **You have testified that Mahmoud Arab told you in 1968 that Sheikh Adham and Sheikh Khalil had connections to Saudi intelligence. When precisely did Mahmoud Arab provide you with this information? Please be as exact as possible. How was this information conveyed to you -- please provide the context for how you gained knowledge of this fact.**

a) Sometime after meeting Sheikh Kamal in New York.

b) Routine conversation.

c) Briefing about who was who in Saudi Arabia.

7) **At whose invitation did you visit Saudi Arabia in the Summer of 1968?**

Mahmoud Arab.

8) **with reference to your answer to question 15 provided to the Subcommittee on June 21, 1992, who was the Commander of the Royal Saudi National Guard?**

a) H.R.H. Prince Abdullah Bin Abdul Aziz Al-Saud.

RCP

9) What was the substance of your meeting with the Commander of the Saudi Royal National Guard?

a) I did not meet the Commander, I met with the Vice Commander. The subject of the meeting was a verbal presentation of a concept to establishing regional depots for maintenance and control of transport vehicles.

10) Did you also meet with Sheikh Adham or Sheikh Khalil during this visit?

No.

11) Did you also meet with U.S. officials in Saudi Arabia during this visit? If so, who?

No, the British Army were advisors to the Royal Saudi National Guard at that time.

12) You have testified that "your relationship continued with BCCI after Mr. Akbar resigned." Please explain exactly what kind of a relationship you had with BCCI. When did the relationship begin with BCCI? What was the basis of the relationship? Did the relationship with BCCI change after Akbar left?

a) Global Chemical & Maintenance Systems Ltd, a Saudi Company, maintained a Bank Account in BCCI London for the purpose of purchasing goods and services (Spare Parts, Special Tools and recruiting costs as well as bank charges for issuing Tender and Performance Bonds).

b) 1977

c) Banking

d) No.

13) Who were your principle contacts at BCCI during the time Z.A. Akbar worked there? After Akbar left?

a) Z. A. Akbar

b) Fakhair Hussain

REP

14) Global Chemical and Maintenance Systems lists BCCI as its banker. What services did BCCI provide to Global Chemical and Maintenance Systems?

See No. 12 (a) above.

15) You have testified that you met Mr. Naqvi and Mr. Abedi. On how many occasions? Please be as precise as possible as to the exact date and location of the meeting(s). What was the substance of the meeting(s)?

a) Mr. Abedi once.

b) Mr. Naqvi more than half dozen times.

c) Global's business progress and bonding requirements.

16) Did you ever meet Mr. Abedi or Mr. Naqvi in the presence of either Mr. Khalil or Mr. Adham? Did you ever discuss Capcom with either Mr. Naqvi or Mr. Abedi? If so, please provide the substance of those discussions in as much detail as possible.

a) No.

b) No.

17) You have indicated that you sold you stock in Capcom back to the company at the company's request. How much did you sell? At what price? How was the request to sell the stock conveyed to you?

a) Capcom Chicago, 50,000 shares at US $ 6 per share = US $ 300,000.

b) First President verbally requested me to sell my shares back to the company, then I wrote personal letter to Capcom requesting them to by my shares.

c) It is my conviction that I still own 80,000 shares of CAPCOM London.

18) When were you last in Washington D.C.? For what purpose? Did you meet with any U.S. government officials at that time?

PEP

a) January 1992.

b) Medical evaluation at National Rehabilitation Hospital.

c) No.

19) Do you serve on any other boards with either Sheikh Adham or Sheikh Khalil?

a) Sheikh Kamal Adham none.

b) Mr. Abdul Raouf Khalil: Global Chemical & Maintenance Systems Ltd., a Saudi Arabian Company.

20) Do you believe that Z.A. Akbar deceived you?

Yes, deceived, duped, humiliated ... etc...etc.

Robert E. Powell

Robert E. Powell

Subscribed and sworn to (affirmed) before me this 8th day of July 1992 at the Embassy of the United States of America Muscat, Sultanate of Oman. My commission expires on INDEFINITE

Signature of Officer Administering Oath

Norman T. Roule

Title

Vice Consul
Embassy of the United States of America
Muscat, Sultanate of Oman

Questions for Robert E. Powell
Answers to be provided in affidavit form

Ref: R.E.Powell - Capcom Questions and Answers Addendum to first questions dated 17/06/92.

Completion of answers to questions 19, 20 and 25.

19) How much money did you invest in Capcom? Was any portion of that investment financed? If so, by whom?

a) Previously answered.
b) Previously answered.
c) Global Chemical & Maintenance Systems Ltd, a Saudi Arabian Corporation in 1984 - 1985 time frame.

25) Have BCCI ever provided a loan to you or any company with which you have been affiliated? If so, please provide the amount of the loan(s), the date(s) of issue, the terms of the loan(s) and the purpose of the loan(s).

a) In view of the information provided in answers 19 & 20, I now believe that no Global entity or myself borrowed any money from BCCI.

b) Previously answered.
c) Previously answered.

20) What percentage of holdings did you have in Capcom between 1984 and 1988? Please list holding on a year by year basis.

a) Previously answered.
b) After I received conflicting statements from Capcom, I retained a Solicitor in England to assist me in identifying shareholding allotted to me by Capcom during 1984 to present. The public record shows the following:

Shared allotted repeat allotted to R.E. Powell:

15,000 Shares on 01/06/1984
1,350,000 Shares on 15/11/1984
1,250,000 Shares on 17/06/1985

* 3,500,000 Shares transferred from my name to another party on 30th October 1987.

REP

57-961 215

[redacted]

These totals suggest that I still own 250,000 or 1% of the outstanding shares of the company. Each share of Capcom stock hold a par value of One Pound Sterling. This collaborates my claim to own 1% of the outstanding shares of the company. When I purchased my shares in the company only Eight Million shares had been issued. When or how I became the owner of a 250,000 shares is not explained by the record nor do I have any knowledge about the activities that created this apparent paper increase. See Exhibit (a) attached "Articles of Association" paragraphs 4, 9 & 10. From reading these paragraphs it is obvious that the company can do any thing it pleases with its shares without informing affected parties. Is not hind sight beautiful? I have also enclosed the following Exhibits for your information:

a) Capcom's Article of Association.

b) C.F.H. Company Formations Limited, Company report (Refer to page 4).

c) Initial letter from Powell to M.D. Barrett dated 18 June 1992 with attached notice from Mr. M. Saghir (President of Capcom Future Chicago).

d) Letter from Capcom to Powell dated 17/06/92 (Subj: Notice of Annual General Meeting received on 21/06/92.

e) Letter from Powell to Capcom dated 29/06/92 (Subj: Request for information identified in my letter dated 18 June 1992).

f) Letter from Capcom to Powell dated 29/06/92 (Subj: Answerers to Powell letter to Capcom dated 18/06/92). Please note statement of Powell shareholding in first paragraph. Please also see attachment to this letter identifying company registry of shareholders from 30/05/86 to 30/06/92.

g) Letter from Powell to Capcom dated 29/06/92 (Subj: Request for additional information).

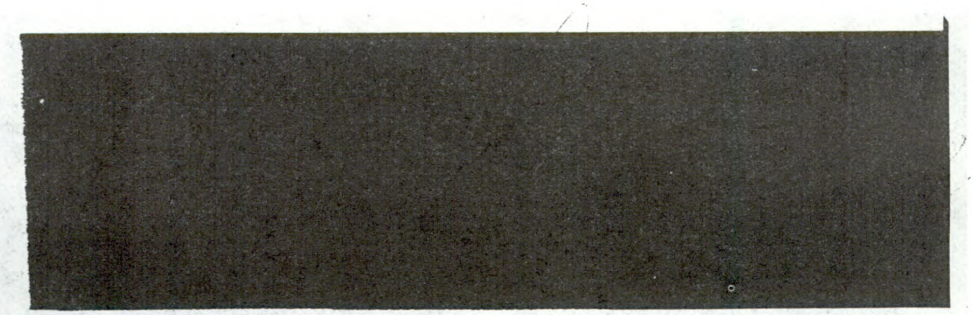
h) Letter form Powell to Sherwin Oliver Solicitors dated 30/06/92 (Subj: Request for engagement of Solicitors).

i) Letter to Capcom from Powell dated 30 June 1992 (Subj: Notice of representation by Solicitors).

j) Letter from Capcom to Powell dated 01/07/92 (Subj: Expression of frustration and acknowledge of Powell's appointment of Solicitors).

REP

57-961 216



k) Fax message from Capcom to Powell dated 02/07/92 commenting about my 1% shareholding.

l) Fax from Powell to Capcom dated 05/07/92 (Subj: Capcom Stock book stubs listing of share ownership form May 1986 to June 1992.

m) Letter from Solicitors to Powell dated 06/07/92 (Subj: Comments about company search of Capcom public record. See Exhibit b above).

n) Fax from Powell to Solicitors dated 07/07/92 (Subj: Concepts for development of strategy related to Solicitors attendance to Annual General Meeting).

o) Fax from Powell to Solicitors dated 08/07/92 concerning results of company search of public record.

p) Fax memo from Powell to Capcom dated 07/07/92 transmitting Form of Proxy.

q) Letter form Solicitors to Capcom dated 08/07/92 (Subj: Discussion of agenda for Annual General Meeting of shareholders (See Exhibit "d" above).

r) Fax from Capcom to Solicitors dated 08/07/92 (Subj: Capcom expression concerning General Meeting raised in Exhibit "q" above).

s) Fax from Powell to Capcom dated 09/07/92 in response to his proposal to the Solicitors concerning the agenda for the Annual General Meeting of Shareholders).

t) Fax from Capcom to Powell dated 09/07/92 confirming agreement reached during telephone conversation.

u) Report from Solicitors dated 15/07/92 (Subj: Attendance at the Annual General Meeting of Capcom.

v) Copy of Capcom Annual Report for 1988.

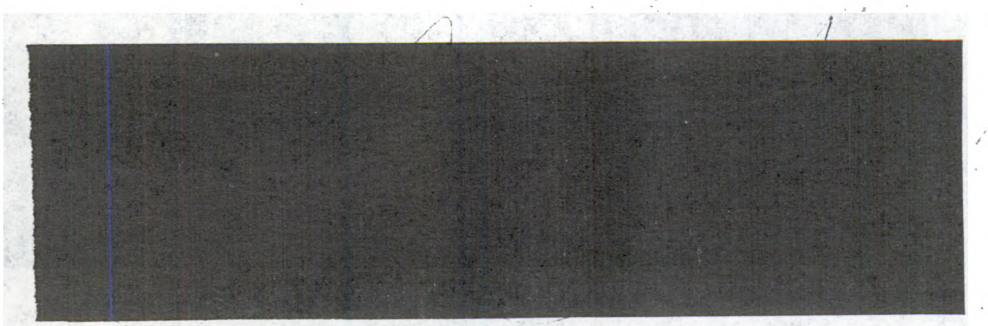
w) Copy of Capcom Annual Report for 1989.

x) Copy of Capcom Annual Report for 1990.

My comments about the above exhibits are:

1. For the expenditure of 2,750 Pound Sterling, I was able to stir up Capcom's Management to the fact that I was a shareholder until proven otherwise.

REP



2. Temporarily interrupted payment of Ziauddin Akbar legal fees (I have no doubt that Company Management will find a way around the court injunction and the shareholders objections to resume payment of these fees).

3. That final research of Company records may show that I do not now own any stock in Capcom. However, I don not believe results of said research will alter any of my statement made above, whether or not I own any Capcom London Stock. I hope this report satisfies your curiosity about my shareholding activities with Capcom.

Regards,

Robert E. Powell

Robert E. Powell

Subscribed and sworn to before me,
Norman T. Roule
Vice Consul of the United States of America
at Muscat, Oman, duly commissioned and
qualified, this .....
day of.....02 AUG 1992..... 19.....

57-961 218

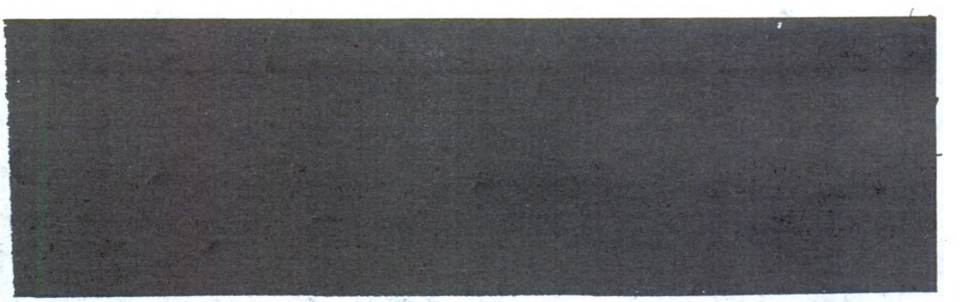


EXHIBIT (A)

THE COMPANIES ACTS 1948 to 1981.

COMPANY LIMITED BY SHARES.

1811865/4

Articles of Association

OF

HOURGHARM LIMITED

PRELIMINARY

1. Subject as hereinafter provided, the regulations contained in Part I of Table A in the First Schedule to the Companies Act 1948, as in force at the date of incorporation of the Company, (hereinafter referred to as "Table A"), shall apply to the Company.

2. Regulations 11, 24, 75, 77 and 79 of Table A shall not apply to the Company but the Articles hereinafter contained and the remaining regulations of Table A, subject to the modifications hereinafter contained, shall constitute the regulations of the Company.

SHARES

3. The Company is a private company limited by shares and, accordingly,

(a) any offer to the public (whether for cash or otherwise) of any shares in or debentures of the Company, and

(b) any allotment of, or agreement to allot, (whether for cash or otherwise) any shares in or debentures of the Company with a view to all or any of those shares or debentures being offered for sale to the public

are prohibited.

4. The directors of the Company are authorised during the period of five years from the date of incorporation of the Company to allot, grant options over or otherwise dispose of the original shares in the capital of the Company to such persons at such times and on such conditions as they think fit, subject to the provisions of Articles 3 and 5 hereof and provided that no shares shall be issued at a discount.

0329 822612 P.07 SHERWIN OLIVER SOLICITORS 09:09 08-07-1982

5. Subject to any direction to the contrary that may be given by the Company in general meeting, any original shares for the time being unissued and any new shares from time to time to be created shall, before they are issued, be offered to the members in proportion as nearly as possible to the nominal value of the existing shares held by them and such offer shall be made by notice specifying the number of shares to which the member is entitled and limiting a time within which the offer if not accepted shall be deemed to be declined; and after the expiration of such time or on receipt of an intimation from the member to whom the notice is given that he declines to accept the shares, the directors may dispose of the same in such manner as they think most beneficial to the Company. The provisions of section 17 of the Companies Act 1980 shall have effect only insofar as they are not inconsistent with this Article.

6. In regulation 3 of Table A for the word "ordinary" there shall be substituted the word "special" and the words from "on such terms" to the end shall be omitted.

7. Subject to the provisions of Part III of the Companies Act 1981, the Company is authorised to purchase its own shares.

LIEN

8. The Company shall have a first and paramount lien on every share (whether or not it is a fully paid share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of that share and the Company shall also have a first and paramount lien on all shares (whether or not they are fully paid shares) standing registered in the name of any person indebted or under liability to the Company for all monies presently payable by him or his estate to the Company, whether he shall be the sole registered holder thereof or shall be one of two or more joint holders; but the directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien, if any, on a share shall extend to all dividends payable thereon.

TRANSFER AND TRANSMISSION OF SHARES

9. The instrument of transfer of a fully paid share need not be executed by or on behalf of the transferee and regulation 23 of Table A shall modified accordingly.

10. Save in the circumstances set out in the next succeeding Article the directors may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any share, whether or not it is a fully paid share.

11. Subject as hereinafter provided

(a) any share may be transferred to a person who is already a member of the Company;

(b) any share may be transferred by a member of the Company to any child or remoter issue, parent, brother, sister, or spouse of that member, and any share of a deceased member may be transferred by his personal representatives to any child or remoter issue, parent, brother, sister, widow, or widower of such deceased member and shares standing in the name of a deceased member or his personal representatives may be transferred to the trustees of his will; and

(c) any share standing in the names of the trustees of the will of any deceased member or of a settlement created by a member or a deceased member may be transferred upon any change of trustees to the trustees for the time being of such will or settlement or to a person to whom such member or deceased member would have been entitled to transfer the same.

Provided always that nothing hereinbefore in this Article contained shall prevent the directors from declining to register a transfer of a share (i) on which the Company has a lien or (ii) to any infant, bankrupt or person of unsound mind.

12. The proviso to regulation 32 of Table A shall not apply to the Company.

GENERAL MEETING

13. Every notice convening a general meeting shall comply with the provisions of section 136(2) of the Act as to giving information to members in regard to their right to appoint proxies; and notices of and other communications relating to any general meeting which any member is entitled to receive shall be sent to the auditors for the time being of the Company.

DIRECTORS

14. Unless and until the Company in general meeting shall otherwise determine, the number of directors shall be not less than one nor more than seven. If and so long as there is a sole director, such director may act alone in exercising all the powers and authorities vested in the directors. A director shall not require any share

08-JUN-1988 09:10 SHEARMAN & SLERLING SOLICITORS 01-629 8236 P.09

inserted the words "is removed from office by resolution duly passed under section 184 of the Act" and (ii) all the words after "by notice in writing to the Company" shall be omitted.

ROTATION OF DIRECTORS

20. In regulation 89 of Table A after the words "then the number nearest" shall be inserted the words "to but not exceeding".

THE SECRETARY

21. The first secretary of the Company shall be the person named as the first secretary of the Company in the statement delivered under section 21 of the Companies Act 1976.

NOTICES

22. In regulation 131 of Table A, all the words after the words "letter containing the notice" shall be omitted, and in substitution therefor there shall be inserted the words "and, if posted by pre-paid first-class mail, to have been effected at the expiration of 24 hours after the letter containing the same is posted, and, if posted by any other class of pre-paid mail, at the time at which the letter would be delivered in the ordinary course of post".

INDEMNITY

23. In addition to the indemnity contained in regulation 136 of Table A and subject to the provisions of section 205 of the Act every director, managing director, agent, auditor, secretary and other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred by him in or about the execution and discharge of the duties of his office.

1982-07-08 09:11 SHERWIN OLIVER SOLICITORS 0229 823612 P.11

NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS

STEPHEN FREDERICK WALFORD

Epworth House,
25/35 City Road,
London EC1

Company Formation
Assistant

JOHN REGAN

Epworth House,
25/35 City Road,
London EC1

Company Search
Assistant

Dated the 5 day of 4 1984

WITNESS to the above signatures:

YAP KIM LAN

Epworth House,
25/35 City Road,
London EC1

Company Formation Assistant

1992-07-08 09:12 SHERWIN OLIVER SOLICITORS 0029 833812 P.12

Share Distribution

A.K. Puri of Avenue Henry Dunant, 13-B32, 1140 Brussels, Belgium - £3,620,000

S.Z.A. Akbar of 22 Easinghill, London NW11 - £6,000,000

Grosella S.A. of 7 Cambridge Court, 210 Shepherds Bush Road, London W6 7NL - £1,250,000

Sheikh H.R. Pharaon of PO Box 6474, Jeddah, Saudi Arabia - £130,000

Mohammad Saghir of 8824 N, Springfield Avenue, Stokie, Illinois - £250,000

Sheikh Kanal Ibrahim Adham of PO Box 6126, Jeddah, Saudi Arabia - £3,000,000

Elsayed E Eljawhary of PO Box 6126, Jeddah, Saudi Arabia - £1,750,000

Sheikh ARH Khalil of PO Box 14032, Jeddah, Saudi Arabia 21424 - £8,250,000

R.E. Powell of 6471 Bixby Hill Road, Long Beach, California USA - £250,000

L.E. Romrell of 5828 South Kearney Street, Englewood, Colarado - £250,000

B. Magness of 4725 South Holly, Englewood, Colarado USB - £250,000

CAPCOM

EXHIBIT 'F'

107 Grays Inn Road
London WC1X 8TZ

Telephones:
General 071-831 4866
Dealers 071-831 4977
Telex:
General 945055/6 CAPCOM G
Dealers 887271 CAPCOM G
Facsimile: 071-404 3316
Reuter Monitor Pages CCDL-O
Reuter Dealing Code CCDL

CAPCOM FINANCIAL SERVICES LTD

29th June 1992

Our Ref: MDB/LS/262C

R.E. Powell Esq
Global Chemical & Maintenance
PO Box 5114 Ruwi
Muscat
Sultanate of Oman

Dear Mr Powell

Re Capcom Financial Services Limited

Thank you for your letter of 18th June.

We do not have the Share Certificates themselves, but I have arranged for our staff to attempt to reconstruct the history of the shareholdings from the Share Certificate stubs, and it would appear that you do not have a shareholding in the company.

I have no information on the payment details.

I am not personally aware of any particular records which related to your relationship with Capcom, and it is really not practical to go through all Capcom's old records searching for references.

Our prihcipal difficulty in carrying out any research about the past period is that the police authorities took possession of Capcom's storage facility as part of their investigations into the B.C.C.I. collapse, and I really only have current records available to me.

I only joined the company as a director in late 1989, and there is now no-one working at the company who has any effective knowledge of the earlier period.

I enclose a copy of the 1988 accounts, and of the audited but not yet approved 1989 and 1990 accounts. The 1991 accounts have not yet been prepared.

I also enclose a list of my understanding of the current shareholders - although the attribution of 1% of the shares to you would seem to be incorrect, if our analysis, referred to above is right.

Yours sincerely

M.D. BARRETT

P.S.
Enclosures are being sent by DHL

Incorporated in England with limited liability
Registered No 1811865

Registered Address:
107 Grays Inn Road
London WC1X 8TZ

CAPCOM

30th June,1992.

LIST OF SHARE HOLDERS IN CAPCOM FINANCIAL SERVICES LTD AS AT 30th JUNE,1992.

NAMES OF HOLDERS	ISSUED ON	NO OF SHARES	TRANSFERED	AS AT 30.6.92
SHEIKH KAMAL IBRAHIM ADHAM	30.5.86	4,250,000	nil	4,250,000
EL SAYED E.ELJAWHARY	"	3,750,000	"	3,750,000
SHEIKH ABDUL RAOUF HASAN KHALIL	"	5,000,000	"	5,000,000
ROBERT EDWARD POWELL	"	3,750,000	S.Z.A.Akbar	NIL
LARRY E. ROMRELL	"	2,750,000	S.Z.A.Akbar	500,000
BOB MAGNESS	"	250,000	nil	250,000
GROZELLA S.A.	"	1,250,000	nil	1,250,000
AJAY KRISHAN PURI	"	3,870,000	M.Saghir	3,620,000
SHEIKH HATTON RASHID PHARAON	"	130,000	nil	130,000
SYED ZIAUDDIN ALI AKBAR	3.11.87	6,000,000	M.D.Barrett	5,999,999
MOHAMMED SAGHIR	1.2.88	250,000	nil	250,000
MICHAEL DAVID BARRETT	15.6.92	1	nil	1
	TOTAL ISSUED SHARES			£ 25,000,000

Prepared by:-

Salim A. Kazi

EXHIBIT (I)

Robert E. Powell
P.O.Box: 5114 Ruwi
Muscat, Sultanate of Oman

Tel. NO.: (968) 797120 Fax No.: (968) 708780

30 June 1992

CAPCOM Financial Services Ltd.
107 Grays Inn Road
London WC1X 8TZ

Fax No.: 071 404 3316

Attn: M. D. Barrett
Director.

Dear Mr. Barrett,

Ref. : Your Letter MDD/LS/262C dated 29 June 1992.

Thank you for responding to my letter of 18 June 1992. I must confess that your letter brought both good news and bad news. It is mind boggling to accept a statement that my name has been on the shareholder list for approximately eight years only to find out at this late date that my shareholding was only a sham.

The good news is that I can represent to the authorities that I never owned shares in CAPCOM. The bad news is CAPCOM misrepresentation on my share ownership has caused me serious humiliation for no reasonable cause. However, I know that I caused the payment of 80,000 Pounds to CAPCOM in 1985 time frame. My record shows that I own at least 450,000 shares of which only 80,000 shares were paid for.

To solve this problem out, I have engaged a UK Attorney by the name of Mr. Nigel Astbury to visit with you and review what records you have. Your cooperation with Mr. Astbury will be appreciated.

Sincerely,

Robert E. Powell

Robert E. Powell

P/S: Please note that I received only a fax copy of your letter and I did not received the list of current shareholders. If that list is not included in your DHL package, please fax it to me.

Share Holders in Carcom Financial Services Ltd.

Cert. No	Share Holder	Issued On	No. of Shares	From	To
101 To 117.	Sheikh Kamal Ibrahim Adham.	30/5/86	4,250,000	1	4,250,000
118 To 132	El Sayed E. Eljawhary.	30/5/86.	3,750,000	4,250,001	8,000,000
133 To 162	Sheikh Abdul Raouf Hasan Khalil.	30/5/86	5,000,000	8,000,001	13,000,000
153 To 167	Robert Edward Powell	30/5/86.	3,750,000	13,000,001	16,750,000.
168 To 178	Larry E Romrell	30/5/86.	2,750,000	16,750,001	19,500,000
179 To 179.	Bob Magness	30/5/86	250,000	19,500,001	19,750,000.
180 To 184.	Grozella S. A.	30/5/86	1,250,000	19,750,001	21,000,000
185 To 200	Ajay Krishan Puri	30/5/86.	3,870,000	21,000,001	24,870,000
201 To 201.	Sheikh Hatton Rashid Pharaon	30/5/86	130,000	24,870,001	25,000,000
202 To 225	Syed Ziauddin Ali Akbar	3/11/87	6,000,000	13,000,001	19,000,000
226 To 226	Mohammed Saghir	1/2/88	250,000	24,500,001	24,750,000.
227 To 227.	Syed Ziauddin Ali Akbar	15/6/92	249,999	18,750,001	18,999,999.
228 To 228	Michael David Barrett	15/6/92	1	19,000,000	19,000,000

EXHIBIT (J)

1-07-92 WED 14:28 BARRETTS LONDON P.02



CAPCOM FINANCIAL SERVICES LTD

107 Grays Inn Road
London WC1X 8TZ

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General 071-831 4866
Dealers 071-831 4977
Telex:
General 9450556 CAPCOM G
Dealers 887271 CAPCOM G
Facsimile: 071-404 3316
Reuter Monitor Pages CCDL-O
Reuter Dealing Code CCDL

1st July 1992

Robert E. Powell Esq
Fax No. 010 968 708780

Dear Mr Powell

Thank you for your letter of 30th June.

I do, of course, fully sympathise with your frustration at the confusing picture I have presented to you.

I am not, I must emphasize, saying definitely that you are or are not a shareholder. You asked me a question and there had never before been any reason to query that the answer was: you own 1%. But investigating source documents seemed to indicate a different answer.

I say "seemed" because, as I said in my letter, the documents available to me are incomplete.

I have spoken to your lawyer and I have told her that I will go to whatever lengths are necessary to resolve the issue with her. We have absolutely no reason to want anything other than to help solve any confusion. Certainly, I will cooperate in every way I can.

The list is in the package on its way to you.

Yours sincerely

M.C. BARRETT

SHERWIN OLIVER
SOLICITORS
THE OLD MANOR HOUSE : WICKHAM ROAD : FAREHAM PO16 7AR
DX 40816 FAREHAM FAX: 0329 822612
TELEPHONE: 0329 822611

EXHIBIT(M)

R. Powell Esq.,
P.O. Box 5114 RUWI,
Muscat,
SULTANATE OF OMAN
BY FAX: 010-968-708-780

OUR REF: NSA/JAC/POWELL YOUR REF: DATE: 6th July, 1992

Dear Mr. Powell,

Re: CAPCOM Financial Services Ltd

Thank you for your fax of 5th July enclosing copy of your letter to Mr.Barrett of the same date and of the list of Shareholders prepared by Mr.Salim A. Kazi dated 30th June. Clearly the records are in disarray but hopefully Mr.Barrett will find something out further as a result of his visit to the Serious Fraud Office.

We too if you wish can visit the Police on your behalf - I think we ought to keep that option open.

I see that you have sent Mr.Barrett a copy of the Company Registry report we sent to you. As you appreciate that Report was complied by our Company researcher from reading the microfiche records. I would imagine frankly that Mr.Barrett already has an up-to-date Company Search - he certainly should have as he is after all the Company Secretary. The Police certainly will have.

I see that in your letter to Mr.Barrett of 5th July you reiterate once more what your position is. That is fine but I would counsel some circumspection in what you write to Mr.Barrett on this subject as at present the position is certainly not clear enough to enable anyone to make categoric statements.

It looks from Mr.Kazi's list as though were issued 3,750,000 shares on 30th May 1986 and that presumably they wer ansferred to Sza Akbar as part of the 6,000,000 shares he received on 3rd ember, 1987. He then seems to have transferred 1 share to Mr.Barrett pr ably on 15th June, 1992 - less than a month ago. I think we should contact ... Barrett by the end of Monday/beginning of Tuesday and of course I will speak with you on the telephone this afternoon.

As I am sure you will appreciate Roisin Barry and I have spent a considerable amount of time on this matter not least speaking to you at some length on the telephone. The accounting has yet to catch up but I would imagine that we are close to exhausting the £1,000 originally provided by you. I need to be sure

SHERWIN OLIVER
SOLICITORS

that our fees are going to be covered and in particular, of course, I am aware that you may well want us to attend the AGM on Friday. In those circumstances I would be grateful please if you could provide a further sum of £1,000 as soon as possible which will be held on our client account here against fees. Of course, we shall in due course account to you for all the time spent and refund to you any of the money which has not been used up in fees. If you could put that in hand as soon as possible I would be grateful.

Yours sincerely,

NIGEL S. ASTBURY
Sherwin Oliver Solicitors

EXHIBIT (N)

Robert E. Powell
P.O.Box: 5114 Ruwi
Muscat, Sultanate of Oman

Tel. NO.: (968) 797120 Fax No.: (968) 708780

07 July 1992

+ For information and discussion only.

Mr. Nigel Astbury
Sherwin Oliver
The Old Manor House,
Wickham Road
Fareham PO16 7AR,
England.

Fax No. 0044 329 822612

Dear Mr. Astbury

Ref.: CAPCOM Financial Services Ltd.

Please be advised that I have had a long and candid conversation yesterday afternoon with Attorney Barrett, Director and Company Secretary of CAPCOM about the records of CAPCOM shareholders from 1984 to 1992. Attorney Barrett has reassured me that I will be provided an official detailed list of shareholders along with dates and numbers of shares. Information required to compile an official registry has been requested from the custodian of these records at the Serious Fraud Office. Attorney Barrett expects to receive and evaluate these records within one week to ten days. He also advised that CAPCOM Directors are agreeable to honoring representation of Powell's 250,000 shares at the Annual General Meeting of shareholders scheduled on Friday, 10th July 1992.

Concept For Participation in AGM:

Powell request a representative of Sherwin Oliver to attend the scheduled AGM with the following instructions:

1. To challenge whether or not a quorum of shareholders are present.

2. To inspect the proxies to determine number of shares and shareholders represented at the meeting.

3. To request postponement of the AGM until shareholders can be provided with the following information:

a) Provide shareholders with audited Financial Statement for 1991.

b) Director's report describing the company's current and future business plan and Directors opinions to whether or not the company remains a going concern.

c) Director's written justification for paying S.Z. Akbar legal expenses, yesterday, today and in the future.

d) Director's written statement as to cause of outstanding law suits against the company, explanation of the elapsed time in reporting the charges and the company's defense.

If the Directors will not agree to postpone the meeting, the Sherwin Oliver representative is authorized to take the following action along with any other action they deem appropriate:

1. To vote in the affirmative to approve Agenda Items No. (1) and (3) along with any other statutory requirements.

2. To vote in the negative rejecting the appointment of Mrs. Sushama Puri. Mrs. Puri to be replaced by a representative appointed by the Company's Auditors.

3. To vote in the negative against resolution to authorize and instruct the directors of the Company to pay the legal fees of Syed Ziauddin Ali Akbar.

4. To place before the Board a resolution to instruct the Directors of the company to call for special General Meeting of the shareholders within a three month period for the purpose of presenting to the special meeting of the shareholders the following information for their consideration and action:

   a) Provide shareholders with audited Financial Statement for 1991.

   b) Director's report describing the company's current and future business plan and Directors opinions to whether or not the company remains a going concern.

   c) Director's written justification for paying S.Z. Akbar legal expenses, yesterday, today and in the future.

d) Director's written statement as to cause of outstanding law suits against the company, explanation of the elapsed time in reporting the charges and the company's defense.

5. Read in to the record, the following information about this shareholders position:

a) If the business plan does not confirm that the company is a viable going concern with a future, then the shareholders should place the company in liquidation.

b) That defense of Akbar is not in the interest of the company because:

i- Akbar has done irreparable damage to the company and its shareholders reputations.

ii- Akbar acted outside the objects of the company and has been charged for the second time with willful breaching of commercial regulations. Therefore, the Directors should also bring charges against Akbar.

iii- The company has no moral or legal obligations to spend shareholders funds for Akbar's defense.

iv- Six Million shares held by Mr. Barrett can only be as Akbar's nominee to be voted solely for Mr. Z.A. Akbar interest and therefore represent a potential conflict of interest.

c) The company should urge S.Z.A. Akbar to cooperate with the authorities, make whatever deal he can, pay his dues and return to his family as soon as possible. For the company to spend hundreds of thousand of Pounds on Mr. Akbar's and other unknown persons defense when the result could bring potentially harsher terms makes no sense. If he is innocent of the charges, let the facts speak for themselves.

6. If the Directors proceed with the AGM despite of Powell's objections, the Directors should be informed of the following:

a) Powell will seek an injunction against the directors expending any additional funds for legal fees on behalf of Akbar.

b) Question the propriety of Company Secretary and Directors buying and selling of shares from the beginning of the company todate and demand evidence of payment for shares and source of funds as well as their authority for paying for Akbar's previous legal expenses.

c) If the injunction fails, Powell will mobilize proxies from shareholders sufficient to bring legal action against the Directors for misappropriate of the company funds and other illegal action. If sufficient proxies are received to establish a quorum of shareholders, a special General Meeting of shareholders will be called to rescind the authority of the Board of Directors to make payment for the defense of Akbar.

It is requested that you review the above letter for content and appropriate language so that it can be presented to Mr. Barrett for his consideration and action before the shareholders meeting.

Sincerely,

Robert E. Powell

* FOR INFORMATION AND DISCUSSION ONLY !

Will Telephone You 16:30 your time today

EXHIBIT (O)

Robert E. Powell
P.O.Box: 5114 Ruwi
Muscat, Sultanate of Oman

Tel. NO.: (968) 797120 Fax No.: (968) 708780

08 July 1992

Sherwin Oliver
The Old Manor House,
Wickham Road
Fareham PO16 7AR,
England.

Fax No. 0044 329 822612

Attn.: Mr. Nigel Astbury
Ms. Roisin B. Barry

Ref.: CAPCOM Financial Services Ltd.- R. E. Powell

I reviewed your proposed draft letter to CAPCOM regarding the AGM. I find it quite satisfactory and suggest that you fax it to CAPCOM at your earliest possible time.

I also received fax hard copy of CAPCOM's incorporation documents. I was fascinated by paragraphs 9, 10 & 23 of the Article of Association. If these Articles are not restricted some where else in the commercial code or by the Company Act of 1985, I can understand why the company acted so casually, secretly and arrogantly. When we talk this afternoon, I will appreciate your comments about paragraph 23 indemnity. Could said paragraph justify payment of legal fees for Mr. Akbar even though he has been charged with committing illegal acts.

I received from you only copies of the Memorandum of Association and the Articles of Association. There must be more amendments to the Articles of Association changing the name of the company twice and whatever else. I would also like to have hard copies of the official Company House Registry from 1982 to 1992. Now that I am aware the company was registered approximately two years before I become involved.

A number of misconceptions have been clarified. I thought I was an original shareholder. In your earlier fax of 02 July transmitting the company report, page 4 indicates that as of 17 June 1985, I own 3,750,000 shares and that 3,500,000 of the shares were transferred on 30 October 1987. I need to know whether or not those entries appearing in the company report represent each and every entry concerning my involvement in buying and selling CAPCOM shares.

I will talk to you later today.

Sincerely,

Robert E. Powell

Robert E. Powell

EXHIBIT Q

SHERWIN OLIVER
SOLICITORS
THE OLD MANOR HOUSE : WICKHAM ROAD : FAREHAM PO16 7AR
DX 40816 FAREHAM FAX: 0329 822612
TELEPHONE: 0329 822611

M.D. Barrett Esq.,
CAPCOM Financial Services Ltd.,
107 Grays Inn Road,
LONDON.
WC1X 8TZ

BY FAX AND POST: 071-404-3316

OUR REF: NSA/JAC/POWELL YOUR REF: MDB/LS/262C DATE: 8th July,1992

Dear Sir,

Re: CAPCOM Financial Services Ltd - Mr. R. E. Powell

As you know, We have been instructed by Mr. Robert E. Powell to investigate for him the situation regarding his Shareholding in CAPCOM Financial Services Limited. He has received Notice of an Annual General Meeting of the Company to be held on Friday 10th July at 107 Gray's Inn Road, and is particularly concerned to note the various proposed resolutions for that meeting.

You will also know that we have over recent days been investigating as far as we can the Members Register of this Company to seek to establish what the true position is. In that context you will have spoken to our Miss Roisin Barry.

You have also, we understand, spoken direct to Mr.Powell. We understand from him that you have asked the Serious Fraud Office (who presently hold most of the records of the Company) to provide you with a detailed list of Shareholders along with dates and numbers of shares. This you will be receiving within a week or 10 days. You have undertaken to provide that information to Mr.Powell once it is received. We understand that for the purpose of the proposed Annual General Meeting he will be considered to have 250,000 shares in the Company.

As for the proposed Annual General Meeting, Mr. Powell is particularly concerned to note the resolution numbered 4 which is to authorise the payment of the legal fees of Syed Ziauddin Ali Akbar who it seems is a past Director of the Company and presently a fairly major Shareholder.

We cannot presently see what justification there can be for paying these expenses.

It seems to us that in view of the present situation and in particular in view of the state of the Companies Records and the fact that they are for the most part being held by the Serious Fraud Office, it is inappropriate to be holding an Annual General Meeting at this stage.

SHERWIN OLIVER
SOLICITORS

Our client through ourselves therefore will be asking for a postponement of the Annual-General Meeting until Shareholders can be provided with the following information.

1. An audited Financial Statement for 1991.

2. A Directors' Report describing the Companies current and future business plan and the Directors' Opinion as to whether or not the Company remains a going concern.

3. The Directors' written justification for paying Mr.Akbar's legal expenses either in the past or in the future.

4. The Directors' written Statement as to the cause of the outstanding law suits against the Company, what they relate to and an explanation as to the lapse in time before reporting this to the Shareholders. We shall also require an explanation as to exactly what Injunction or Injunctions are in existence as referred to in the Notice of the Meeting.

We write to put you on notice of our client's position and that we shall be attending on Friday on his behalf. We invite your comments.

Yours faithfully,

Sherwin Oliver Solicitors

EXHIBIT (R)

CAPCOM

CAPCOM FINANCIAL SERVICES LTD

107 Grays Inn Road
London WC1X 8TZ

Telephones:
General 071-831 4868
Dealers 071-831 4977
Telex:
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Dealers 887271 CAPCOM G
Facsimile: 071-404 3318
Reuter Monitor Pages CCDL-O
Reuter Dealing Code CCDL

8th July 1992

Our Ref: MDB/CC/268C
Your Ref: NSA/JAC/POWELL

Fax No: 0329 822612

Messrs Sherwin Oliver
The Old Manor House
Wickham Road
Fareham
PO16 7AR

Dear Sirs,

Re: Mr R E Powell

Thank you for your fax of 8th July. As you will appreciate from our correspondence with your client, there is clearly uncertainty about the shareholding of your client.

I note your intention to attend the meeting on Friday. I have said to Mr Powell that I have no objection to you attending, in principle, on the basis that the investigation into the physical records will support what I personally have always understood to be the position, that your client is a current shareholder in the company.

I hope to actually review the records held by the Serious Fraud Office, and I will report back just as soon as that happens.

The Accounts

I do not see that anything to do with the state of the company's records makes it inappropriate to be holding annual general meetings. The issue is whether Mr Powell is a shareholder or not. There is no other issue regarding the company's records. If your client is represented at the meeting, the issue has not in any way infected the validity of the meeting.

You will readily appreciate that the reason for holding the annual general meeting is a legal one. The company is required by law to file its audited accounts by certain dates.

CAPCOM

The accounts to 31st October 1988 were delayed for a considerable period of time while the board argued with Arthur Andersen about what contingent liabilities should or should not be included. By the time those accounts were concluded, and Kingston Smith, the new auditors, had succeeded in completing the accounting work, the time for filing the accounts as at 31st October 1989 had also passed.

We are now in the situation where Companies Registry are issuing letters to the directors threatening criminal proceedings for failure to file the accounts.

The position has been brought up to date to a considerable extent by Kingston Smith preparing the 1989 and 1990 accounts at the same time. Work on the 1991 accounts is already underway, but its completion depends upon Messrs Kingston Smith.

When the 1991 accounts are prepared, another annual general meeting will be held to deal with them.

You will fully appreciate the legal position, and that we cannot possibly put off dealing with the already out of date accounts, until completion of the next audit, which is probably some months away.

I am certainly not proposing to be prosecuted in the meantime!

The accounts for 1989 and 1990 have already been filed at Companies House, with the reservation that they are subject to approval by the annual general meeting, in order to avoid the automatic fines imposed on companies as from 30th June 1992.

With regard to the passing of the accounts, therefore, we cannot see what possible reason there can really be for not dealing with them at the annual general meeting on Friday. They represent history. That is not in any way affected by the financial position in 1991, so waiting for financial figures for 1991 cannot be a reason for delaying approval of the accounts for the earlier years.

In essence, the cases against Capcom are as follows:

Republic of Panama

On 31st October 1988 Capcom received the sum of $20,500,000 from Finley International. Finley International was a company of which Mr Akbar was a director, as he was of Capcom itself at the time. On Mr Akbar's instructions, the money was credited to an account in Capcom owned by El Rayan, an investment company in Egypt, which was in substantial debit at the time. It is now alleged that this money belonged to Noriega, and that it came to Capcom as part of BCCI's efforts to conceal it from the American authorities. It is now claimed back by the Republic of Panama. A statement of claim has been served and a defence, prepared by Eben Hamilton QC, has

CAPCOM

been filed. There is a Mareva injunction, of which we enclose a copy. That is the current stage of the proceedings.

Alexandria Commercial & Martime Bank

No writ has been issued. The bank claims that it is owed money by Capcom Bankers. This was a company set up in Vanuatu, off the Australian coast, and controlled by Mr Akbar.

In 1988, Capcom itself was receiving deposits from ACMB. The Banking Act made that impossible to continue. So the purpose of Capcom Bankers was to take the deposits. It appears that in 1988 Mr Akbar (and another director) signed a letter guaranteeing to ACMB the repayment of monies sent to Capcom Bankers. Eben Hamilton QC regards this as a valid guarantee.

In 1989, Capcom took Counsel's opinion and discovered that the scheme did not work, and Capcom stopped receiving any funds from ACMB. However, it appears that ACMB continued to make funds available to Capcom Bankers and they claim they did so on the basis of the guarantee letter.

The advice of Queen's Counsel is that there is a defence to the action because it must have been quite clear to ACMB that a dramatic change had occurred, and their subsequent actions indicate that they were not relying on any guarantee, which appears to have been discovered when they became involved in seeking to recover the money from Capcom Bankers.

It is understood from Mr Akbar that Capcom Bankers deposited most of the money back with ACMB before the due repayment date and that the deposits, together with the value of Capcom Bankers' shareholding in ACMB, and some other securities which have been lodged leave a shortfall of possibly $500,000.

Swiss Case

Funds which Capcom was holding in Banque Leu Geneva were frozen by the Swiss authorities on suspicion that the money originated from drugs laundering. The suspicion was created by the Financial Times series of articles on BCCI and relates solely to the known events of 1988. I have given evidence to the Swiss judge which puts it beyond doubt that there can be no drug laundered money, but the Swiss judge requires my statements to be independently checked by police in this country, and we are waiting for that process to be undertaken.

American Criminal Proceedings

At present, the Americans cannot take proceedings against Capcom, according to the advice of Queen's Counsel, and Washington lawyers, but they seek to make Capcom criminally liable for any offences alleged against Mr Akbar with regard to the "Noriega money" referred to above, which is the source of a racketeering charge against Mr Akbar and Capcom in the United States.

CAPCOM

Justification of Paying Mr Akbar's Legal Expenses

In most of the cases facing the company, if Mr Akbar is found guilty, the company is found guilty. He was a director of Capcom at the time, and the acts which the plaintiffs' claims give rise to liability are, in many cases, his actions in his capacity as director.

In the "Noriega money" case, Mr Akbar is a defendant along with Capcom. The Mareva injunction forbids him from disposing of assets, although he can pay legal fees. But he has no assets. Legal Aid had been applied for and refused. So if he is to defend himself, he needs to be represented by lawyers. Capcom will have immense difficulty in sustaining its own innocence against the charges, if Mr Akbar, its agent, has had to concede his responsibility, in default of proper representation.

With regard to possible proceedings in the United States, the British and American authorities are seeking to extradite Mr Akbar from France. The American proceedings directly involve Capcom, which is a co-defendant so that if Mr Akbar is convicted of racketeering, so may be Capcom.

If the American authorities succeed in extraditing Mr Akbar, then they may be able to get over the problems they are now encountering in effectively serving Capcom with the criminal proceedings, by serving them on Mr Akbar, then we would have to defend the proceedings, instead of ignoring them.

The British claims relate to Mr Akbar's activities at BCCI and the relationship with Capcom in its earlier days. It might also be in Capcom's interests to ensure that Capcom is not found to be at fault in those issues.

Essentially, the matter is put to the shareholders on the basis that Mr Akbar's fees should be paid where it is in Capcom's interests to do so.

Viability of the Company

The company continues to trade in the foreign exchange markets, and we have succeeded in obtaining a number of customers, mainly European banks. The company is viable, albeit at a much reduced level than was the case in 1988. It is recognised that the Capcom name does not help and plans were in progress to move the trading operation into a separate vehicle where its connection with Capcom would be less evident.

It is considered far more satisfactory to attempt to fight the cases, and to continue in business, than to wind the company up. If there were liabilities, but the company was going nowhere, then winding it up would be a reasonable option.

But if the company is wound up in its current situation, the liquidator is far more likely to be settling claims with creditors

CAPCOM

in order to wind up the company than to preserve funds for the shareholders. In any event, the apparent existence of contingent liabilities of a very considerable amount would make it impossible for a liquidator to pay funds to shareholders in a winding up at this stage.

Yours faithfully,

M D BARRETT

Encl

EXHIBIT (S)

Robert E. Powell
P.O.Box: 5114 Ruwi
Muscat, Sultanate of Oman

Tel. NO.: (968) 797120 Fax No.: (968) 708780

09 July 1992

CAPCOM Financial Services Ltd.
107 Grays Inn Road
London WC1X 8TZ

Fax No.: 0044 71 404 3316

Attn: M. D. Barrett
Director.

Ref.: CAPCOM Financial Services - R.E. Powell.

Dear Mr. Barrett,

I acknowledge receipt of your note transmitting your reply to Messrs Sherwin Oliver. Your timely and candid expressions are appreciated. I will telephone you between 12 & 12:15 your time today. If you will not be available at that time, please fax me a time more convenient for you. I have reviewed your comments and offer the following thoughts:

1. I agree with your observation that there is no reason why the Financial Statement for 1989 and 1990 can not be formally presented and approved, assuming a quorum is present.

   It would also be appropriate to approve the reappointment of the retiring Auditors and to authorize the Directors to fix the remuneration.

2. I noted that your statement concerning viability of the company as a going concern was unconvincing. If I had a proforma statement clarifying the net worth of the company as of June 30, 1992, I would be in a better position to appreciate your opinion. In the absence of such information, I can make a strong case, the company has no future and its primary business is the defense of S.Z.A. Akbar and other unknown parties. Therefore, I must insist that item No. 4 of the Agenda be postponed until the financial capacity of the company to continue paying these expenses while remaining a going concern is documented.

3. Under no circumstances can I concur with the re-election of the Director Mrs. Sushma Puri. She and her husband (A.K. Puri) were totally involved with Akbar in the management of the company during mid 1980's. In fact the only person I ever saw Akbar defer to was Mr. Puri. The Puri's knew what was going on at Capcom. To perpetrate the Puri's inside position at Capcom will eventually cause Capcom more problems than it has now. It is my recommendation that Mrs. Puri be replaced with an outside Director either recommended by the auditors or professional in the field of Capcom's business.

4. Should you have the opportunity, let Mr. Akbar know my opinion about the company, my advise to him is:

   Ziauddin should start thinking about himself and his family and stop trying to protect others. He should separate himself from the Highway men that had led him into this current difficulties. He should make the best deal he can by plea bargaining, pay his dues if he is guilty and return to his family as soon as possible. If he is innocent he should allow the facts to speak for themselves. I do not believe that Capcom will have the legitimate financial resources to continue paying for his legal defense.

The above statement dos not make good reading, but they are sincere. Ziauddin assisted me in developing a strong banking relationship with National Bank of Oman in Muscat and BCCI in London during the second half of 1970's. I tried to reciprocate in kind, and with the little funds that I had by assisting him after he was forced to leave BCCI. Time will tell how badly I was deceived.

Sincerely,

Robert E. Powell

Robert E. Powell

cc: Sherwin Oliver Solicitors.

EXHIBIT (T)

CAPCOM

CAPCOM FINANCIAL SERVICES LTD

107 Gray's Inn Road
London WC1X 8TZ

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Facsimile: 071-404 3316
Reuter Monitor Pages CCDL-Q
Reuter Dealing Code CCDL

9th July 1992

Our Ref: MDB/CC/1467m

Fax No: (968) 708780

R E Powell Esq
Muscat
Sultanate of Oman

Dear Mr Powell,

Re: Capcom Financial Services Ltd

Thank you for your letter of 9th July. Thank you for ringing me as well. Since your holiday is starting and you cannot reach the lawyer in Sherwin Oliver, I am sending this letter to you and also copying it to them.

I would deal with the numbered points as follows:

1. The approval of the financial statements and the re-appointment and remuneration of the auditors will be approved by you.

2. I will withdraw the proposal in item 4, and I am sure that Mr Akbar's proxy will agree to that. I am not aware of any other shareholders planning to attend in person or in proxy.

The issue is really academic, in fact, because there are no funds out of which Mr Akbar's future costs could be paid because of the impact of the injunction which prevents payment of funds.

The really important problem which will arise in due course involves the defence to the "Noriega money" claim, where, I am sure you can see that Capcom could find itself in a hopeless position if Mr Akbar simply caves in, or has to cave in, because he is in France - or possibly in America by then - and has no representation.

However, what I do agree is that the issue needs more early warning and discussion.

Incorporated in England
with limited liability
Registered No. 1811865

Registered Address:
107 Gray's Inn Road

CAPCOM

3. As I explained, I am most certainly in favour of Mrs Puri remaining a director, for the reasons I explained.

You have expressed your opinion, and, since you probably cannot contact your solicitors, I expect they will vote against her appointment.

4. I will certainly pass on what you have to say. It is my view also that there is no way that it makes any sense to try to defend these criminal actions. Plea bargaining is the only sensible solution.

As soon as I have managed to sort out the share issue I will get back to you and your solicitors.

Best Wishes,

MICHAEL BARRETT

EXHIBIT (U)
Report from Solicitors dated 15/10/92.

Attendance at the Annual General Meeting of CAPCOM Financial Services Ltd (The Company) at 107 Grays Inn Road, London, WC1X 8TZ.

10th July 1992 (11am - 12.15pm)

In attendance:- Michael Barrett, John Adler of Barretts Solicitors
Timothy Wallis and Martin Birchmore of Kingston Smith, Accountants
Nigel Astbury (NSA) and Roisin Barry (RBB) of Sherwin Oliver Solicitors

Initially neither Mr Barrett nor Mr Adler were present. The Accountants were asked why the last Annual Return was dated 10th August 1989 and they said that, although they had not filed the Annual Returns themselves, they understood that later Annual Returns had been filed at Companies House.

Mr Barrett and Mr Adler then attended and it was established that Mr Adler was acting as Mr Akbar's proxy and it was considered that he had 24% of the shareholding (although they did not seem completely sure of this). Mr Barrett has 1 share in the Company and it was acknowledged that NSA and RBB were attending on behalf of Mr Powell who had a 1% shareholding in the Company.

It was confirmed that the Members Register was with the Serious Fraud Office.

NSA confirmed that he had received the latest fax from Mr Barrett received yesterday evening and it was understood that item number 4 on the Notice of the AGM would not now be proceeded with.

In relation to Number 1 on the Agenda it was established that the shareholders present were to consider and receive the Directors Report and Accounts for 1989 and 1990 and the accountants' Report. NSA said we had only received the 1989 accounts but the accountants assured NSA that the 1990 Accounts had been prepared and it would appear that a copy of these had been sent to Mr Powell.

NSA pointed out that it was for the Directors to approve the Accounts which they had done by signing them and that this meeting was merely to adopt the Accounts. For the record NSA said that the Accounts were fairly horrific but clearly, acting for a shareholder, he did not have to approve them as such.

The accountants pointed out to NSA that they had merely adopted the comments of Arthur Andersen, the previous accountants, and that a lot of the liabilities were contingent liabilities in respect of threatened proceedings which Mr Barrett said could be ignored once the limitation periods had expired.

Mr Barrett said that, although the Company no longer was a member of various approved bodies it was still dealing with mainly European Bank clients (this was evident from the noise from the adjacent dealing room).

Mr Barrett said that the Mareva Injunction did not prevent the Company trading but there would clearly be no dividends for the shareholders as the Mareva prevents any disposal of assets.

NSA asked why in view of the existence of the Mareva item No 4 had been included in the Agenda in the first place. Mr Barrett said that if at some point in the future the Company had assets abroad these would not be covered by the Mareva. Clearly, the Company would need shareholders' approval before the Company's money could be used for legal costs for Mr Akbar and the Company had sought to obtain approval at this AGM in the event that monies might become available in the future. However, he agreed with Mr Powell that the shareholders should be given more notice of any such proposal to consider it further.

Mr Barrett informed NSA and RBB that Mr Powell was being investigated by the Senate Sub Committee for Terrorism and Narcotics and it would appear that other Shareholders are also being looked into even though certain individuals had not been shareholders for several years.

Mr Barrett said that Mr Powell had always been considered to be a 1% shareholder but it was only when the Share Certificate stubs had been examined that it appeared that Mr Powell no longer had a shareholding. He said that of course Mr Powell might be delighted to find that he was not a shareholder in the Company however he would clearly not be so pleased if his shares had been transferred to Mr Akbar and he had received nothing in return.

Mr Barrett said that a Police Constable from the Serious Fraud Office was going through the papers at present and hopefully sorting this issue out.

On questioning from NSA Mr Barrett said that Mrs Puri was in Delhi and that he had recently attended a Board Meeting in Delhi. He said that Mr Akbar was presently in prison in Longenesse in France awaiting the outcome of extradition proceedings to the United States. He said that he had previously been in prison in 1990 in England for 6 months of an 18 month sentence in respect of a conspiracy charge. It would appear that when BCCI collapsed investigations were undertaken in the United States and it was found that money had been moved from Finley to the Company.

The Americans obtained a secret indictment against the Company and Mr Akbar. Once Mr Akbar was informed of this he went to France but told his family about the arrangements who followed him out there. Unfortunately the FBI in turn were following his family and he was subsequently arrested to face an American charge of racketeering.

Mr Barrett explained that Mr Akbar was the Treasurer of BCCI and that in some respects Mr Akbar had been the scapegoat for the serious financial mess BCCI had got into. It appeared that BCCI had been selling options and futures and repurchasing at unrealistic prices because the dealers knew that BCCI had to do this to ensure that there was money in the Bank's Current Accounts.

NSA asked whether the Company held any promissory notes signed by Mr Powell as reference had been made to these in correspondence. It was established that there appeared to be no Promissory Notes signed by Mr Powell at the Company's offices.

In relation to the Mareva Injunction it was established that Messrs Edge and Ellison Solicitors of Birmingham were acting for the State of Panama.

In respect of Mr Powell's tax returns and other shareholder's personal tax returns it was established that an individual accountant was dealing with these

in relation to the Tax claim in respect of dividends which had not been distributed. It appeared that Arthur Andersen might have made a mistake in the way they handled the dividends and if so there may be a claim against their Indemnity Insurance Policy.

Mr Barrett confirmed that he had become a Director when it appeared that the Company's financial affairs had been sorted out. After the Mareva had been put in place, it apparently then became impossible for him to resign particularly as he was specifically named in the Mareva.

Mr Barrett and the Accountants confirmed that it would appear that the £25 million share capital of the Company was fully paid. NSA queried why the authorised share capital had been increased to £100 million. Mr Barrett said that this was when it was considered that the Company had a bright future and might expand as the situation had changed no further shares other than the £25 million had in fact been issued.

On a personal level Mr Barrett felt that Mr Akbar was in many respects an honourable man and did not consider that he would have cheated Mr Powell by transferring his shares without payment. It was also pointed out that prior to 1986, companies did not have to worry where any money came from or if it came from a dubious source. It is only recently that such activities like laundering drugs money has become a criminal offence.

On returning to the Mareva Injunction it transpired that BCCI had been handling all Noriega's funds outside Panama. In relation to the Finley connection it would appear that Finley had owed the Company some money in relation to a deal with an Egyptian Company called El Ryan. When the money had come in Mr Akbar had thought that the money was in relation to this particular deal. It was pointed out that it was unlikely that Mr Akbar would wanted to touch money which had belonged to Noriega.

In relation to the BCCI action in America it appears that the American authorities had thought they had effectively served proceedings on the Company by serving on a subsidiary of the Company known as CAPCOM Futures. In fact this was no longer a subsidiary of the Company and therefore as the Company had genuine divested their shareholding in CAPCOM Futures except for a 3% shareholdings, the Company had not been correctly served in the United States. Mr Barrett also said that the FBI had tried to serve him personally but he had refused to accept these papers.

At the end of the meeting it was formally agreed that the Accounts should be adopted and Auditors appointed. In relation to the reappointed of Mrs Puri, as Mr Powell's proxy NSA abstained from this vote but as the remaining proxies and shareholders voted in favour this motion was passed. Therefore the retiring Directors were reappointed. It was agreed that the fourth motion would be dropped and all were in favour. It was also agreed that the Director's remuneration should be fixed.

Mr Barrett said that he would be happy to fix an appointment for NSA to attend at the Serious Fraud Office and NSA said that he would take his client's instructions.

Received on 10/7/90

CAPCOM FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 1988

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 October 1988.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the company was to provide international financial services covering futures and options, money market and debt instruments, and foreign exchange transactions. The principal activity of the company since 31 October 1988 has been affected by the subsequent events described below.

Brokerage and commission income was £7,156,692 during the year and the loss on ordinary activities after taxation was £9,366,556. The directors do not recommend the payment of a dividend.

SUBSEQUENT EVENTS:

The company conducted investment business in the United Kingdom and was a member of both The Association of Futures Brokers and Dealers Limited ("AFBD") and The Securities Association ("TSA"). On 27 October 1988, The Securities and Investments Board ("SIB") commissioned an investigation into the company's investment business under Section 105 of the Financial Services Act 1986. On 17 July 1989, the Council of the AFBD resolved that the company should be expelled from membership of the AFBD effective one month from the date of the decision and pay costs of £400,000. These costs have been charged as an expense in the profit and loss account for the year ended 31 October 1988 and are included in the provision of £1,550,000, as described below.

The expulsion took effect on 17 August 1989. The reason for expulsion provided by the Council of the AFBD was that it was unable to identify all of the beneficial owners of the company's share capital and, having regard to that in particular, felt unable to satisfy itself that all of them were, and accordingly that the company itself was, in all respects fit and proper. Expulsion has excluded the company from broking futures and options contracts. The company resigned from membership of TSA on 25 July 1989.

DIRECTORS' REPORT (Continued)

SUBSEQUENT EVENTS (Continued):

The AFBD had initially alleged various financial and regulatory irregularities by way of a draft report prepared by Messrs Peat Marwick McLintock for the SIB. These allegations were not pursued. It will be noted that the AFBD did not conclude that Capcom Financial Services Limited was in fact not fit and proper. The directors believe they merely concluded that there might be other beneficial owners about whom they knew nothing. The directors of Capcom Financial Services Limited know of no undisclosed beneficial shareholders.

As discussed in Note 19(b)(ii) to the accounts the company is a defendant in litigation in the United States of America for allegedly carrying out financial transactions involving the proceeds earned by third parties from illegal drugs dealing. The directors of the company intend to defend strongly this charge. Furthermore, Mr. S.Z.A. Akbar, a former director and current shareholder of the company, was charged and found guilty in the United Kingdom of a conspiracy offence and was fined and sentenced on 4 October 1990 to a period of imprisonment of eighteen months. He has also been charged in the United States with various offences relating to allegedly carrying out financial transactions involving the proceeds earned from illegal drugs dealing. The company has guaranteed to indemnify Mr. S.Z.A. Akbar for all legal expenses incurred in defending these charges. Provision has been made in these accounts for the year ended 31 October 1988 for legal costs and fees paid to regulatory bodies and others in relation to investigations of £1,550,000 in connection with these alleged offences. It is currently not possible to determine the ultimate outcome of the outstanding actions, the related legal costs and any consequent effect on the company.

Initially, HM Customs and Excise investigated the company's position as part of their investigation into drugs money laundering. As a result they took no action against the company. Originally, they had charged Mr. S.Z.A. Akbar with laundering drugs proceeds through the company. This allegation was subsequently dropped.

DIRECTORS' REPORT (continued)

SUBSEQUENT EVENTS (Continued):

The investigation commissioned by the SIB was carried out by Messrs Peat Marwick McLintock. At the same time the company commissioned a special investigation by Messrs Coopers & Lybrand in order to discover whether any money arising from drugs dealings had been in the company's possession or whether there were any transactions or aspects of the company's trade which appeared to be irregular. The Coopers & Lybrand investigation found no evidence of such money. Further, the Peat Marwick McLintock investigation also found no evidence, judging by the fact that no action was taken. The directors are satisfied that no "money laundering" of any kind has occurred.

The United States of America authorities have taken no steps over the past two years to proceed against Capcom Financial Services Limited, beyond initially including the company in the list of defendants resulting from the particular investigation. The directors understand that all the other defendants have been tried, or are being extradited for trial. Capcom Financial Services Limited has not even been served with any court papers. The directors are confident that the case will not be proceeded with. It is hoped that the United States of America authorities will simply drop the proceedings in the light of the outcome of Mr. S.Z.A. Akbar's United Kingdom trial.

The judge in Mr. S.Z.A. Akbar's United Kingdom trial for conspiracy helpfully clarified a number of matters concerning the company. First, he was satisfied that there was no conspiracy involving the company. As the judge stated: "I am also satisfied that so far as your company was concerned, there were no previous arrangements. In other words your company was a clean one". Second, the directors understand that it was accepted that the offence for which Mr. S.Z.A. Akbar was convicted involved no-one in the company and did not involve management decisions of the company. Third, the court was under a duty, which it performed, to decide whether any proceeds of drug laundering had been handled and the directors understand it was accepted by the court and by the prosecution that no such money had been handled.

The directors are confident, therefore, in saying that Capcom Financial Services Limited has not been involved in drugs money laundering.

DIRECTORS' REPORT (continued)

SUBSEQUENT EVENTS (Continued):

As more fully explained in Note 21(a), a number of transactions were processed between certain customer accounts, the result of which was to create transfers totalling US $3.6 million between these accounts. Of these transactions, transfers of US $2.9 million have been made from certain customer accounts to the Capital Fund, a fund for which Futures Advisory Services Limited ("FAS"), a related company, is a trading advisor. The company has no record of specific authority for these transactions. It is not currently possible to ascertain what compensation, if any, may ultimately become payable or recoverable and what further impact these transactions may have on the company.

Materially all of the assets of the Capital Fund have now been returned to the relevant investors, one of whom is connected to a person who was then a director of the company. The directors do not anticipate any claim from any person from whose account monies were transferred to the Capital Fund, and no claim of any sort relating to the Fund has been received.

As referred to in Note 21(b), the accounting records include a number of significant receipts and payments affecting customer accounts, in respect of which the directors have been unable to provide the company's auditors with relevant supporting documentation, explanation or authorisation, satisfactory to them. We have provided the auditors with relevant supporting documentation and explanations after 9 May 1989 in connection with certain of these receipts and payments and, as a result thereof, the receipts and payments in respect of which the directors are currently unable to provide the auditors with relevant support amount to receipts of US $49.6 million and payments of US $4.7 million, and include receipts of US $20.5 million relating to Finley International Limited (Note 20(e)). It is currently not possible to assess the extent to which these receipts and payments have been correctly applied and, accordingly, what liabilities may accrue to the company in the future.

It is now approaching three years since the transactions occurred. No claim of any sort has been received in respect of any of the receipts or payments. While it is technically necessary to refer to them as potential liabilities, the directors are satisfied, on the basis of exhaustive investigations which have been carried out by them and by the company's solicitors, that there is little risk of any claim being received.

DIRECTORS' REPORT (continued)

SUBSEQUENT EVENTS (Continued):

The directors have a copy of an agreement stating that on 3 February 1988 Mr A.R.H. Khalil entered into an agreement to sell 8,250,000 shares in the company to Mr. S.Z.A. Akbar for a consideration of £4 million and the settlement of undisclosed previous accounts between the two parties from 1976 to that date. In accordance with the copy agreement, the cash consideration of £4 million was paid to Mr. A.R.H. Khalil on 4 February 1988 and was charged to a customer account which did not contain sufficient funds.

The directors have received no formal notification of the existence of this transaction, nor have they received a request from either of the parties to the agreement to register any related share transfers. The legal advice received to date by the directors is inconclusive as to whether this transaction constitutes assistance by the company in the purchase of its own shares contrary to Section 151 of the Companies Act 1985.

The directors are satisfied that the company had no intention of purchasing its own shares. As far as the directors are concerned, if any shares have been purchased by Mr. S.Z.A. Akbar, then they must be beneficially owned by him. In any event, the company has not received any request to transfer shares and has no knowledge of what transfer may or may not have occurred. The directors have no right and have no way to look behind the shareholdings as shown in the register.

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year and up to the date of this report, together with their interests in the shares of the company, were-

Directors who served during the year-

L.E. Romrell (USA) (Chairman) (resigned 20 October 1988)
A.R.H. Khalil (Saudi Arabia) (resigned 3 February 1988)
A.K. Puri (India) (resigned 9 September 1988)
R. Magness (USA) (resigned 20 October 1988)
J.C.F. Parry
J.J. Uddin (France) (alternate to A.R.H. Khalil) (resigned 19 November 1987)
S.Z.A. Akbar (appointed 5 February 1988, resigned 13 October 1988)

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS (Continued):

Directors appointed since year end-

S. Serageldin (appointed 16 November 1988, retired 27 July 1989)
M.R. Stewart (appointed 16 November 1988, resigned 25 January 1989)
M. Kamil (appointed 23 January 1989, resigned 3 July 1989)
M.D. Barrett (appointed 28 June 1989)
A.H. Khan (appointed 28 June 1989)
S. Puri (India) (appointed 21 September 1990)
S.R.A. Akbar (appointed 21 September 1990)

Directors' interests-

The directors' shareholdings, shown by the register maintained by the company are as follows-

	Ordinary shares of £1 each fully paid	
	1988	1987
L.E. Romrell	250,000	2,750,000
A.R.H. Khalil	8,250,000	5,000,000
A.K. Puri	3,620,000	3,870,000
R. Magness	250,000	250,000
S.Z.A. Akbar	6,000,000	3,500,000

The directors have a copy of an agreement stating that on 3 February 1988 Mr. A.R.H. Khalil entered into an agreement to sell 8,250,000 shares in Capcom Financial Services Limited to Mr S.Z.A. Akbar. The directors have received no formal notification of the existence of this transaction, nor have they received a request from either of the parties to the agreement to register any related share transfers.

FUTURE DEVELOPMENTS:

During the period following the date of this directors' report the company will continue to offer a professional spot foreign exchange and bullion dealing service. Our marketing efforts will centre around commercial participants in the Middle East with new initiatives being made in certain sectors. Low overheads and efficient back office systems mean that in 1991 the company should show adequate performance.

DIRECTORS' REPORT (Continued)

RELATED PARTY TRANSACTIONS:

Details of related party transactions are given in Note 20 to the accounts.

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 11 to the accounts.

CLOSE COMPANY STATUS:

The company is a close company within the provisions of the Income and Corporation Taxes Act 1970.

BY ORDER OF THE BOARD

A.H. Khan
Secretary

107 Grays Inn Road
London WC1X 8TZ

31 January 1991

ARTHUR ANDERSEN & Co.

1 SURREY STREET
LONDON WC2R 2PS

Auditors' Report to the Members of CAPCOM FINANCIAL SERVICES LIMITED

We have audited the accounts on pages 15 to 33 in accordance with Auditing Standards with two exceptions. First, the scope of our review of events and transactions that have taken place between 9 May 1989 and the date of this report covered only those specific matters described in our 9 May 1989 report and those matters brought to our attention by the directors, as explained in Note 22, and did not cover any other matters. Second, we have been unable to rely on the company's controls. In consequence, our examination cannot be relied upon to disclose all misstatements, irregularities or frauds which may exist. These exceptions are discussed further in the following two paragraphs.

Accounts for the year ended 31 October 1988, including our qualified report thereon, were originally adopted by the directors and issued to The Association of Futures Brokers and Dealers Limited ("AFBD") on 9 May 1989. The accounts on pages 15 to 33, upon which we are now reporting, comprise the accounts adopted and issued on 9 May 1989 updated only in respect of changes in the status of the matters referred to in our auditors' report of 9 May 1989 and those matters brought to our attention by the directors, as explained in Note 22. The effects of the update in respect of these matters are as follows:

- The loss for the financial year has increased by £568,895 predominantly because of increases in provisions for costs arising in respect of litigation and investigations and increases in provisions for doubtful debts.

- Net assets of the company have correspondingly declined by £568,895.

- Contingent liabilities, in connection with transactions referred to in Note 21(b), have been revised to US$49.6 million in respect of receipts and US$4.7 million in respect of payments.

AUDITORS' REPORT (Continued)

- There are changes in the status of the company's membership of regulatory bodies.

- There are changes in the status of litigation in the United States of America and the United Kingdom against the company and Mr. S.Z.A Akbar.

- There are changes in provisions against doubtful debts and a change since 31 October 1988 in the balance on customer accounts owned by Mr. S.Z.A. Akbar, against which provision has not been made.

- There have been reclassifications of balances from investments in subsidiaries to investments in and loans to subsidiaries.

In connection with our audit, we have considered the company's control environment, accounting systems and control techniques in order to assess their adequacy as a basis for the preparation of the accounts. Because of the matters detailed in the paragraphs below, we have been unable to rely on the company's controls. While we have conducted our audit so as to have a reasonable expectation of detecting material misstatements, irregularities or frauds, in the absence of an examination of each and every transaction and the availability of satisfactory evidential matter to support such transactions, our examination cannot be relied upon to disclose all misstatements, irregularities or frauds which may exist.

The company conducted investment business in the United Kingdom and was a member of both the AFBD and The Securities Association ("TSA"). On 27 October 1988, The Securities and Investments Board commissioned an investigation into the company's investment business under Section 105 of the Financial Services Act 1986. On 17 July 1989, the Council of the AFBD resolved that the company should be expelled from membership of the AFBD effective one month from the date of the decision and pay costs of £400,000. These costs have been charged as an expense in the profit and loss account for the year ended 31 October 1988 and are included in the provision of £1,550,000, as described below.

The expulsion took effect on 17 August 1989. The reason for expulsion provided by the Council of the AFBD was that it was unable to identify all of the beneficial owners of the company's share capital and, having regard to that in particular, felt unable to satisfy itself that all of them were, and accordingly that the company itself was, in all respects fit and proper. Expulsion has excluded the company from broking futures and options contracts. The company resigned from membership of TSA on 25 July 1989.

AUDITORS' REPORT (Continued)

As more fully explained in Note 21 (a), a number of transactions were processed between certain customer accounts, the result of which was to create transfers totalling US$3.6 million between these accounts. Of these transactions, transfers of US$2.9 million have been made from certain customer accounts to the Capital Fund, a fund for which Futures Advisory Services Limited, a related company, is a trading advisor. Materially all of the assets of the Capital Fund have now been returned to the relevant investors, one of whom is connected to a person who was then a director of the company. The directors have been unable to provide us with evidence of any authority for these transactions. It is not currently possible to ascertain what compensation, if any, may ultimately become payable or recoverable and what further impact these transactions may have on the company.

As referred to in Note 21 (b), the accounting records include a number of significant receipts and payments affecting customer accounts, in respect of which the directors have been unable to provide us with relevant supporting documentation, explanation or authorisation. We have been provided with relevant supporting documentation and explanations by the directors after 9 May 1989 in connection with certain of these receipts and payments and have, as a result thereof, concluded that the receipts and payments in respect of which the directors are currently unable to provide us with relevant support amount to receipts of US$49.6 million and payments of US$4.7 million, and include receipts of US$20.5 million relating to Finley International Limited (Note 20 (e)). It is currently not possible to assess the extent to which these receipts and payments have been correctly applied and, accordingly, what liabilities may accrue to the company in the future. The directors have informed us that no claim has been received to date in respect of these contingent liabilities.

AUDITORS' REPORT (Continued)

As more fully explained in Note 21 (c), on 3 February 1988 one of the company's shareholders entered into an agreement with another shareholder to dispose of his shareholding, the cash consideration of £4 million being charged to a customer account which did not contain sufficient funds. The directors have informed us that the company has not received any request to transfer shares and has no knowledge of what transfer may or may not have occurred. The exact nature of this transaction is uncertain and the legal advice received to date by the directors is inconclusive as to whether this transaction constitutes assistance by the company in the purchase of its own shares contrary to Section 151 of the Companies Act 1985.

As discussed in Note 6, the company has a number of doubtful customer account receivable balances amounting to £11,873,480. The balances on these accounts arose from trading activities and, in some instances, from the transactions referred to in Note 21. In the absence of complete information regarding the creation and propriety of these balances, the directors have prudently made full provision against them. We are unable to conclude on the propriety of the provision. The balance on the customer accounts owned by Mr S.Z.A. Akbar has changed from a net creditor balance of £326,469 at 31 October 1988 to an (unaudited) net debtor balance of £7,029,511 at the date of approval of the accounts by the board of directors. Trading on these accounts was suspended in October 1990 by the company. In accordance with the limited scope of our work on events subsequent to 9 May 1989, we have not sought to obtain evidential matter to support this balance.

As stated in Note 12, the directors have been unable to locate the share certificates and appropriate documentation evidencing the ownership and value of £612,675, representing the company's investment in and loans to three of its subsidiaries. As also stated in Note 12, the directors have been unable to locate appropriate documentation evidencing the loan agreement and value of the company's loan of £90,159 and investment of £7,570 to a related company. Accordingly, we are unable to conclude as to the company's good title to and, in the absence of related financial statements, the proper carrying value of these investments and loans. In addition, since the directors are unable to provide an analysis distinguishing between the company's investment in and loans to three of its subsidiaries, in respect of this matter, the accounts do not comply with Section 228 of the Companies Act 1985.

AUDITORS' REPORT (Continued)

As stated in Note 1(b), the directors are of the opinion that it would be of no real value to the members of the company to prepare consolidated accounts. In the absence of consolidated accounts, the Companies Act 1985 requires supplementary information to be given in respect of unconsolidated subsidiaries. As stated in Note 12, the directors are unable to determine the aggregate amount of the total investment of the company, by way of the equity method of valuation, in the shares of three of its subsidiaries, due to the absence of audited financial statements of the subsidiaries. In respect of this matter, the accounts do not comply with Section 228 of the Companies Act 1985.

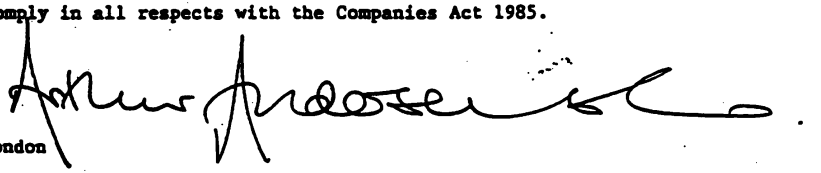
As referred to in Notes 19(b)(iii) and 20(b), the company has received funds on behalf of Capcom Bankers Limited directly from customers of Capcom Bankers Limited, and has held these funds as a loan from Capcom Bankers Limited. In this capacity, the company has guaranteed repayment to all depositors of Capcom Bankers Limited. The directors have considered whether this activity constitutes the taking of deposits without a licence in contravention of Section 3 of the Banking Act 1987 and believe that this has not occurred. No conclusive legal advice on the status of this activity was obtained.

The accounts have been drawn up on a going concern basis which assumes that the uncertainties surrounding certain of the matters outlined in the preceding paragraphs and, in particular, the litigation in the United States of America, the unauthorised and unexplained transfers between certain customer accounts, the unsupported receipts and payments affecting certain customer accounts and the propriety of the provision for doubtful debts, will not result in further unprovided liabilities or the cessation of the company's operations. In addition, as we have not sought evidential matter to support the balance receivable from Mr. S.Z.A. Akbar, it is currently not possible to ascertain what impact this will have on the company's operations.

In the light of the matters outlined in the preceding paragraphs, we have been unable to obtain all the information and explanations we considered necessary and in our opinion the company has not maintained proper books and records, as required by Section 221 of the Companies Act 1985.

AUDITORS' REPORT (Continued)

Because of the significance of the matters referred to in the preceding paragraphs, we are unable to form an opinion as to whether (i) the accounts give a true and fair view of the state of the company's affairs at 31 October 1988 and of its loss and source and application of funds for the year then ended, and (ii) the accounts comply in all respects with the Companies Act 1985.



London

31 January 1991

CAPCOM FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 1988

	Notes	1988	1987
BROKERAGE AND COMMISSION INCOME	1h&2	£ 7,156,692	£ 8,857,960
Brokerage expense		(2,397,408)	(4,218,286)
GROSS PROFIT		4,759,284	4,639,674
Other operating expenses (net)	3	(3,469,159)	(2,859,464)
OPERATING PROFIT		1,290,125	1,780,210
Investment income	4	5,068,104	10,650,559
Interest payable and similar charges	5	(1,900,300)	(6,860,618)
Currency translation loss	1g	(401,005)	(2,418,726)
Exceptional items	6	(13,423,480)	-
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(9,366,556)	3,151,425
Tax on (loss) profit on ordinary activities	1e&9	-	(1,116,399)
(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(9,366,556)	2,035,026
Minority interests		-	3,484
(LOSS) PROFIT BEFORE EXTRAORDINARY ITEMS		(9,366,556)	2,038,510
Extraordinary items less taxation	10	-	(933,600)
(LOSS) PROFIT FOR THE FINANCIAL YEAR	18	£(9,366,556)	£ 1,104,910

The accompanying notes are an integral part of this profit and loss account.

CAPCOM FINANCIAL SERVICES LIMITED

BALANCE SHEET — 31 OCTOBER 1988

	Notes	1988	1987
FIXED ASSETS			
Tangible assets	1c&11	£ 205,925	£ 167,440
Other investments	1d&12	7,649,972	7,578,876
Investments in subsidiaries	1b&12	862,677	250,000
		8,718,574	7,996,316
CURRENT ASSETS			
Debtors	13	4,345,059	30,529,482
Investments	14	16,745,858	11,389,083
Cash at bank and in hand		29,305,334	16,105,096
		50,396,251	58,023,661
CREDITORS: Amounts falling due within one year	15	(35,920,585)	(33,459,181)
NET CURRENT ASSETS		14,475,666	24,564,480
TOTAL ASSETS LESS CURRENT LIABILITIES		23,194,240	32,560,796
PROVISIONS FOR LIABILITIES AND CHARGES	16	(232,000)	(232,000)
NET ASSETS		£22,962,240	£32,328,796
CAPITAL AND RESERVES			
Called-up share capital	17	£25,000,000	£25,000,000
Profit and loss account	18	(2,037,760)	7,328,796
TOTAL CAPITAL EMPLOYED		£22,962,240	£32,328,796

SIGNED ON BEHALF OF THE BOARD

J C F PARRY — DIRECTOR

A H KHAN — DIRECTOR

31 January 1991

The accompanying notes are an integral part of this balance sheet.

CAPCOM FINANCIAL SERVICES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 OCTOBER 1988

	1988	1987
SOURCE OF FUNDS		
Profit on ordinary activities after taxation	£ -	£ 2,035,025
Extraordinary item	-	(933,600)
Add (deduct) items not involving cash flow during the year		
- consolidated loss on disposal of Capcom Futures Inc	-	37,181
- company share of loss in Capcom Futures to disposal	-	15,872
- depreciation	-	54,018
- minority interests	-	3,484
- decrease in deferred tax	-	(48,000)
- loss on translation of other investments and loan	-	45,933
Total funds from operations	-	1,209,913
Disposal of holding in subsidiary	-	9,784,872
Disposal of other fixed asset investments	110,404	5,000,750
Decrease in net current assets	10,088,814	-
	£ 10,199,218	£ 15,995,535
APPLICATION OF FUNDS		
Loss on ordinary activities after taxation	£ 9,366,556	£ -
Deduct items not involving cash flow during the year		
- depreciation	(68,670)	-
- loss on disposal of tangible fixed assets	(1,902)	-
- loss on translation of other investments and loan	(197,755)	-
Total funds absorbed by operations	9,098,229	-
Purchase of fixed assets		
- tangible	109,057	68,209
- other investments	135,928	68,072
- loans	243,327	7,259,001
- investment in and loans to subsidiaries	612,677	-
Increase in net current assets	-	8,600,253
	£ 10,199,218	£ 15,995,535
(DECREASE) INCREASE IN NET CURRENT ASSETS		
Debtors	£(26,184,423)	£(81,267,380)
Investments	5,356,775	(1,090,883)
Creditors falling due within one year	2,649,671	113,903,279
Movement in net liquid funds		
- cash at bank and in hand	13,200,238	(22,944,763)
- bank overdrafts	(5,111,075)	-
	£(10,088,814)	£ 8,600,253

The accompanying notes are an integral part of this statement.

CAPCOM FINANCIAL SERVICES LIMITED

NOTES TO ACCOUNTS — 31 OCTOBER 1988

1. ACCOUNTING POLICIES:

The principal accounting policies are-

a) Basis of accounting

The accounts are prepared under the historical cost convention and on a going concern basis.

b) Basis of consolidation

The company controlled five wholly-owned subsidiaries at 31 October 1988. None of these subsidiaries traded during the year, and accordingly, the directors are of the opinion that it would be of no real value to the members of the company to prepare consolidated accounts.

c) Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight-line basis over their estimated useful lives as follows-

Office equipment	- 20% per annum
Furniture, fixtures and fittings	- 15% per annum
Motor vehicles	- 25% per annum
Leasehold property and improvements	- over the life of the lease

d) Investments

Investments in subsidiaries are stated at cost, less provisions for any permanent diminution in value.

Other fixed asset investments represent commodity market memberships and loans to related and other companies. In accordance with normal market practice, market memberships are stated at cost.

Current asset investments are stated at the lower of cost and market value on an item-by-item basis.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation has been calculated to allow for the effect of certain items of income and expense being attributable for tax purposes to periods different from those in which the related credits or charges are recorded in the accounts, and is computed using the liability method, whereby such taxation is determined by applying the rate of tax at which the accumulated timing differences are expected to reverse.

NOTES TO ACCOUNTS (Continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES:

	1988	1987
Interest expense arising from		
- repurchase agreements with brokers	£ 607,262	£ 5,419,209
- balances with clients/brokers	1,137,000	1,150,336
- bank overdraft	156,038	291,073
	£ 1,900,300	£ 6,860,618

6. EXCEPTIONAL ITEMS:

	1988	1987
Provision against doubtful customer account balances (a)	£11,873,480	£ -
Provision for legal and other expenses (b)	1,550,000	-
	£13,423,480	£ -

a) The company has provided fully against all amounts due from customers outstanding at the balance sheet date which had not been settled at the time of approving the accounts. However, due to Mr. S.Z.A. Akbar's strong commercial relationship with certain of these customers, the directors are of the opinion that material amounts may ultimately be collected if and when Mr. S.Z.A. Akbar is able to assist the company in this connection.

b) The provision against legal and other expenses is included in accruals (Note 15) and includes-

i) £1,222,982 relating to the provision for estimated legal fees in connection with defending charges and other fees paid to regulatory bodies and others in relation to investigations (Note 19(b)(ii)).

No amounts had actually been paid at the balance sheet date but up to the date of approval by the board of directors of the accounts £1,183,018 has been paid by the company for legal and other fees in respect of the above matters.

ii) £327,018 relating to the provision for estimated legal fees in connection with charges brought against Mr. S.Z.A. Akbar in the United Kingdom and the United States of America (Note 19(b)(ii)).

No amounts had actually been paid at the balance sheet date but up to the date of approval by the board of directors of the accounts £277,018 has been paid by the company for legal fees in respect of the above matter.

NOTES TO ACCOUNTS (Continued)

7. (LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

The (loss) profit on ordinary activities before taxation is stated after charging (crediting)-

	1988	1987
Depreciation	£ 68,670	£ 54,018
Auditors' remuneration (of which £287,000 is included in the provisions described in Note 6 (b)(i) above)	330,000	37,400
Profit on sale of fixed asset investments	(144,212)	-
Staff costs (Note 8)	1,018,672	781,077

8. STAFF COSTS:

Particulars of employee costs (including directors) are as shown below-

	1988	1987
Employee costs during the year amounted to-		
Salaries	£ 913,039	£ 724,524
Social security costs	105,633	56,553
	£ 1,018,672	£ 781,077

The average weekly number of persons employed by the company during the year was as follows-

	1988 Number	1987 Number
Dealing	16	15
Administration	27	26

Directors' remuneration-

The employee costs shown above include the following remuneration in respect of directors of the company-

	1988	1987
Fees as directors	£ -	£ 40,000
Other emoluments	225,000	67,100
Compensation for loss of office	30,000	-
	£ 255,000	£ 107,100

The Chairman received no remuneration.

	1988	1987
The highest paid director received	£ 92,200	£ 61,100

Since the balance sheet date £270,000 has been paid to Mr. S.Z.A. Akbar as a hardship allowance (Note 20(i)). As these payments relate to a period after 31 October 1988, this amount has not been included in the profit and loss account for the year ended 31 October 1988.

NOTES TO ACCOUNTS (Continued)

8. STAFF COSTS (Continued):

Other directors received emoluments in the following ranges-

	1988 Number	1987 Number
£0 to £ 5,000	3	2
£ 5,001 - £10,000	-	1
£35,001 - £40,000	-	1
£60,001 - £65,000	1	-
£65,001 - £70,000	1	-

Higher-paid employees-

Employees of the company, other than directors, whose duties were wholly or mainly discharged in the United Kingdom, received remuneration (excluding pension contributions) in the following ranges-

	1988 Number	1987 Number
£35,001 - £40,000	1	2
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-
£50,001 - £55,000	2	-

TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax charge is based on the profit on ordinary activities for the year and comprises-

	1988	1987
Corporation tax-		
Current at 35%	£ -	£ 1,164,399
Deferred	-	(48,000)
	£ -	£ 1,116,399

In view of the uncertainty over certain of the transactions set out in Notes 19, 20 and 21, no benefit has been taken for the possible utilisation of current tax losses against current and deferred taxation liabilities.

10. EXTRAORDINARY ITEMS:

Extraordinary items-

	1988	1987
Profit on disposal of Capcom Futures, Inc.	£ -	£ 209,191
Attributable foreign exchange losses	-	(1,142,791)
	£ -	£ (933,600)

NOTES TO ACCOUNTS (Continued)

11. TANGIBLE FIXED ASSETS:

The following are included in the net book value of tangible fixed assets-

	1988	1987
Office equipment	£ 116,802	£ 75,211
Furniture, fixtures and fittings	65,195	74,856
Motor vehicles	22,707	11,151
Leasehold property	960	4,852
Leasehold improvements	261	1,370
Net tangible fixed assets	£ 205,925	£ 167,440

The movement in the year was as follows-

	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Leasehold property	Leasehold improvements	Total
COST-						
Beginning of year	£173,778	£ 95,329	£ 25,395	£ 14,918	£ 4,250	£313,670
Additions	83,443	5,157	20,457	-	-	109,057
Disposals	-	-	(10,395)	-	-	(10,395)
End of year	257,221	100,486	35,457	14,918	4,250	412,332
DEPRECIATION-						
Beginning of year	98,567	20,473	14,244	10,066	2,880	146,230
Charge	41,852	14,818	6,999	3,892	1,109	68,670
Disposals	-	-	(8,493)	-	-	(8,493)
End of year	140,419	35,291	12,750	13,958	3,989	206,407
NET BOOK VALUE 31 October 1988	£116,802	£ 65,195	£ 22,707	£ 960	£ 261	£205,925
NET BOOK VALUE 31 October 1987	£ 75,211	£ 74,856	£ 11,151	£ 4,852	£ 1,370	£167,440

12. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS:

a) Investments in and loans to subsidiaries

The company has the following wholly-owned subsidiaries-

Name	Country of incorporation	Description of shares held	Proportion of shares held
Brenchase Limited	England	Ordinary	100%
Capcom Securities Limited	England	Ordinary	100%
Gulf Trading Company	Vanuatu	Ordinary	100%
Multigems Limited	Vanuatu	Ordinary	100%
Sagan International Limited	Vanuatu	Ordinary	100%

NOTES TO ACCOUNTS (Continued)

12. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS (Continued):

During the year, the company paid up the £2 of ordinary share capital of its 100% subsidiary Capcom Securities Limited. In addition, the company purchased the whole of the ordinary share capital of Multigems Limited, Gulf Trading Company Limited and Sagan International Limited.

The directors have been unable to locate the share certificates and appropriate documentation evidencing the ownership and value of £612,675, representing the company's investment in and loans to Gulf Trading Company, Multigems Limited and Sagan International Limited.

Investment in and loans to subsidiaries-

	1988	1987
COST-		
Beginning of year	£ 250,000	£10,034,872
Additions	612,677	-
Disposals	-	(9,784,872)
End of year	862,677	250,000
Net book value	£ 862,677	£ 250,000

The aggregate amount of the total investment of the company, by way of the equity method of valuation, in the shares of Brenchase Limited and Capcom Securities Limited are £250,000 and £2 respectively. The directors are unable to determine this information with respect to the investments in Gulf Trading Company, Multigems Limited and Sagan International Limited, due to the absence of audited financial statements of these subsidiaries.

b) Other investments and loans

	1988	1987
Subordinated loan to Capcom Futures, Inc.	£7,068,137	£7,259,001
Loan to Capcom Belgium société anonyme	90,159	-
Loan to Al Sayegh Brothers	153,168	-
	7,311,464	7,259,001
Market memberships and shares, at cost	338,508	319,875
Other investments and loans	£7,649,972	£7,578,876

NOTES TO ACCOUNTS (Continued)

12. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS (Continued):

The movement during the year was as follows-

	Other investments	Loans
COST-		
Beginning of year	£ 319,875	£7,259,001
Additions	135,928	243,327
Disposals	(110,404)	-
Loss on translation	(6,891)	(190,864)
End of year and net book value	£ 338,508	£7,311,464

The loan to Capcom Futures, Inc. of £7,068,137 is subordinated to all present and future creditors of that company and is repayable at the latest on 31 March 1992. Interest is charged on the loan at LIBOR +1% and is payable quarterly. The subordinated loan has been repaid in full subsequent to year end.

The loan to Capcom Belgium société anonyme of £90,159 is interest free and is repayable on demand. The directors have been unable to locate appropriate documentation evidencing the loan agreement and the value of the company's loan of £90,159 to Capcom Belgium société anonyme.

A loan, not in the normal course of trading, comprising £153,168 in respect of UAE Dirhams 1 million was made to Al Sayegh Brothers. Interest was charged at 0.5% over the twelve month Abu Dhabi Interbank Offered Rate and the loan is due to be fully repaid by 30 April 1993.

The following amounts are included in other investments-

	1988	1987
Market memberships at cost-		
London Potato Futures Association	£ 2,000	£ 2,000
London International Financial Futures Exchange	45,825	45,825
London Traded Options Market	10,000	10,000
Chicago Board of Trade	128,358	113,386
International Monetary Market	88,210	90,592
	274,393	261,803
Shares at cost-		
Investment in Capcom Futures, Inc	56,545	58,072
Investment in Capcom Belgium société anonyme	7,570	-
	£ 338,508	£ 319,875

Market memberships, other than those of the London Potato Futures Association and to the London Traded Options Market, have been sold subsequent to year end for a net profit of £253,622.

The company owns 4% of the ordinary share capital of Capcom Futures, Inc., and 37.5% of the ordinary share capital of Capcom Belgium société anonyme. The directors have been unable to locate the share certificates and appropriate documentation evidencing the ownership and the value of the company's investment of £7,570 in Capcom Belgium société anonyme.

NOTES TO ACCOUNTS (Continued)

13. DEBTORS:

The following are included in the net book value of debtors-

Amounts falling due within one year-	1988	1987
Due from clients, brokers and clearing houses	£ 1,919,100	£27,161,592
VAT	30,580	41,659
Other debtors	1,296,493	1,155,006
Prepayments and accrued income	945,718	1,032,369
Securities purchased under agreement to resell	-	1,138,856
Amount due from subsidiary	153,168	-
	£ 4,345,059	£30,529,482

Other debtors include £819,904 in respect of amounts due from former directors or shareholders for the purchase of shares in Capcom Futures, Inc. (Note 20(g)).

Amount due from subsidiary comprises £153,168 in respect of a UAE Dirhams 1 million loan to Sagan International Limited. Interest was charged at 1% over the twelve month LIBOR rate and the loan was repaid subsequent to the year end.

14. CURRENT ASSET INVESTMENTS:

The following amounts are included in current asset investments-

	1988	1987
Certificates of deposit	£16,071,230	£11,003,560
US Government Treasury Bills, maturing within one year	674,628	385,523
	£16,745,858	£11,389,083

In the opinion of the directors, the market value of current asset investments held at 31 October 1988 was not materially different to cost.

15. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year-

	1988	1987
Due to clients, brokers and clearing houses	£26,465,250	£29,338,522
Other creditors	337,233	197,762
Taxation	1,391,466	2,599,448
Accruals (see also Note 6 (b))	2,344,009	900,746
Due to subsidiaries	271,552	284,492
Securities purchased under agreement to repurchase	-	1,138,211
Bank overdrafts	5,111,075	-
	£35,920,585	£33,459,181

NOTES TO ACCOUNTS (Continued)

15. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued):

At 31 October 1988 the company had the following facilities with:

a) Manufacturers Hanover Trust Company:

i) US $8 million demand overdraft for working capital.

ii) US $50 million foreign exchange line of which US $15 million was available for daily settlement.

iii) US $2.1 million fractional exposure on a US $30 MM facility to allow repurchase/reverse repurchase of US $ Treasury Bills with maximum tenor of 3 months.

These facilities were secured by £7 million of certificates of deposit lodged with the bank.

b) National Westminster Bank PLC:

i) Overdraft facility of £1 million.

ii) Foreign exchange facility of £2 million.

These facilities were secured by £7 million of certificates of deposit lodged with the bank.

16. PROVISION FOR LIABILITIES AND CHARGES:

The provision for liabilities and charges comprises deferred taxation attributable to-

	1988	1987
Capital allowances	£ 15,000	£ 15,000
Short term timing differences	217,000	217,000
	£ 232,000	£ 232,000

17. CALLED-UP SHARE CAPITAL:

	1988	1987
Authorised-		
100,000,000 ordinary shares of £1 each	£100,000,000	£25,000,000
Allotted, called-up and fully-paid-		
25,000,000 ordinary shares of £1 each	£ 25,000,000	£25,000,000

On 24 October 1988 the authorised share capital was increased by £75,000,000 to 100,000,000 ordinary shares of £1 each.

NOTES TO ACCOUNTS (Continued)

18. PROFIT AND LOSS ACCOUNT:

	1988	1987
Beginning of year	£ 7,328,796	£ 6,170,834
(Loss) profit for the year	(9,366,556)	1,104,910
Other reserve movements	-	53,052
End of year	£ (2,037,760)	£ 7,328,796

19. FINANCIAL COMMITMENTS:

a) Capital commitments-

The company had no capital commitments at the year end.

b) Contingent liabilities-

i) The company has contingent liabilities for futures, options and foreign exchange contracts entered into on behalf of customers in the normal course of business.

ii) The company is a defendant in litigation in the United States of America for allegedly carrying out financial transactions involving the proceeds earned by third parties from illegal drugs dealing. The directors of the company intend to defend strongly this charge and have made provision for estimated legal costs and fees paid to regulatory bodies and others in relation to investigations of £1,222,982, recorded as an exceptional item (Note 6) and included in accruals (Note 15). No provision has been made for any fine which may become payable, which the directors estimate to be up to a maximum of approximately US$785,000 as at December 1988, since the directors are confident that the case will not be proceeded with. It is hoped by the directors that the United States of America authorities will simply drop the proceedings in the light of the outcome of Mr. S.Z.A. Akbar's United Kingdom trial.

The company has also guaranteed to indemnify Mr. S.Z.A. Akbar, a former director and a shareholder of the company, against all of his legal costs relating to the charges brought against him in the United Kingdom and in the United States of America (Note 20 (h)). The directors have made an additional provision for estimated legal fees of £327,018, recorded as an exceptional item (Note 6) and included in accruals (Note 15), in respect of the cost of Mr. S.Z.A. Akbar's defence in the United Kingdom.

No amounts had been paid at the balance sheet date but, up to the date of approval by the board of directors of the accounts, £1,460,036 had been paid by the company for legal fees in respect of the above items, and for legal fees and other fees paid to regulatory bodies and others in relation to investigations into drugs money laundering. This includes amounts paid on behalf of Mr S.Z.A. Akbar as disclosed in Note 20 (h).

iii) The company has received funds on behalf of Capcom Bankers Limited directly from customers of Capcom Bankers Limited, and has held these funds as a loan from Capcom Bankers Limited. In this capacity, the company has guaranteed repayment to all depositors of Capcom Bankers Limited. The directors have considered whether this activity constitutes the taking of deposits without a licence in contravention of Section 3 of the Banking Act 1987 and believe that this has not occurred. No conclusive legal advice on the status of this activity was obtained.

NOTES TO ACCOUNTS (Continued)

19. FINANCIAL COMMITMENTS (Continued):

c) Lease commitments-

The company is committed with regard to property and equipment leases as follows-

	1988	1987
Amounts payable in 1989	£ 43,749	£ 15,833

The amount charged to the profit and loss account during the year in respect of these operating leases was £82,386 (1987 - £110,014).

20. RELATED PARTY TRANSACTIONS:

a) The company has entered into an agreement with Futures Advisory Services Limited which is a former member of The Association of Futures Brokers and Dealers Limited. The agreement involves the reciprocal referral of clients between Futures Advisory Services Limited and the company, and all transactions are on an arm's length basis. The agreement has now been terminated orally.

The beneficial owners of Futures Advisory Services Limited are Mr. S.Z.A. Akbar as to 50% and Mrs. S. Puri, the wife of Mr. A.K. Puri (a shareholder in the company), as to 50%. The company earned commission of £209,582 from customers, and paid commission of £21,642 to Futures Advisory Services Limited during the year.

b) The company has received funds on behalf of Capcom Bankers Limited directly from customers of Capcom Bankers Limited and has held these funds as a loan from Capcom Bankers Limited. Capcom Bankers Limited is owned by Mr. A.K. Puri as to 50% and Mr. S.Z.A. Akbar as to 50%. The company receives no commission for this service, receives the monies directly from customers and repays the amounts plus interest directly back to customers. During the year, the company accepted funds on behalf of Capcom Bankers Limited totalling US$25 million and £1.2 million, and paid interest on these funds totalling US$437,000 and £46,700 respectively. At the balance sheet date the totals of these funds were US$16.8 million and £0.6 million. Interest accrued was US$168,854 and £6,100 respectively.

c) The company uses Capcom Futures, Inc. as its main broker in the United States of America. The company owns 4%, and various former directors own a further 58% (Note 20 (g)), of the ordinary share capital of Capcom Futures, Inc. Commissions incurred by the company are based on competitive rates prevailing in the market. The company paid commission of £907,000 to Capcom Futures, Inc. during the year.

The company has made a subordinated loan to Capcom Futures, Inc. of US$12,500,000 (Note 12) which has been repaid in full subsequent to year end.

d) First Travel Limited is a travel agent used by the company to supply travel services at normal rates. First Travel Limited is owned as to 27.8% by Mr. S.Z.A. Akbar and as to 27.8% by Mr. A.K. Puri.

NOTES TO ACCOUNTS (Continued)

20. RELATED PARTY TRANSACTIONS (Continued):

e) On occasions during the year, monies were received from, and paid to, Finley International Limited for the credit or charge of customer accounts (Note 21 (b)). The directors believe that Mr. S.Z.A. Akbar is a director of Finley International Limited.

f) Peniel Investments receives commission from the company as an introductory agent. The owners of the company are unknown to current management. However, Mr. A.K. Puri, an ex-director of the company, has power of attorney for Peniel Investments.

g) On 30 June 1987, the company sold a 78% holding of the equity share capital of Capcom Futures, Inc. to the then directors of the company-

	Ordinary shares of US$5 fully-paid	% Holding in company	Value $
L.E. Romrell	80,000	16	400,000
R. Magness	20,000	4	100,000
A.K. Puri	50,000	10	250,000
S.Z.A. Akbar	140,000	28	700,000

As at 31 October 1988 amounts due in consideration of the above acquisitions had not been paid, and the amounts outstanding represent credit transactions as defined under Section 331(7) of the Companies Act 1985. On 7 February 1989, Mr. A.K. Puri discharged his liability in full; on 2 May 1989, Capcom Futures, Inc. redeemed Mr. S.Z.A. Akbar's shareholding and repaid his related loan of US$700,000 to the company; and on 7 September 1990 Capcom Futures, Inc. redeemed Mr. Romrell's and Mr. Magness' shares and repaid their related loans of $400,000 and $100,000 respectively to the company.

h) During October 1988, Mr. S.Z.A. Akbar was indicted in both the United States of America and the United Kingdom with substantially the same charges as described in Note 19(b)(ii). The charge in the United Kingdom was subsequently changed to one of conspiracy. The company has agreed to indemnify him for all legal expenses incurred in defending these charges, irrespective of the outcome, since the directors are of the opinion that it is in the best interests of the company to do so. No amounts had been paid at the balance sheet date but up to the date of approval by the board of directors of the accounts £277,018 had been paid by the company (Note 6(b)(ii)).

i) Mr. S.Z.A. Akbar resigned as a director of the company on 13 October 1988. On compassionate grounds, the company agreed on 18 November 1988 to pay him a hardship allowance of £10,000 per month for the foreseeable future. As described in Note 8, up to the date of approval by the board of directors of the accounts £270,000 has been paid to Mr. S.Z.A. Akbar.

21. UNUSUAL TRANSACTIONS:

Subsequent to the decisions that investigations into the company would be performed by Messrs. Peat Marwick McLintock and Messrs. Coopers & Lybrand, it was brought to the attention of the current directors by certain employees that a former director had originated a number of unusual transactions affecting discretionary customer accounts. As a result of both this and the investigations, a number of unusual transactions were identified, the most significant of which are summarised below.

NOTES TO ACCOUNTS (Continued)

21. UNUSUAL TRANSACTIONS (Continued):

a) A number of artificial foreign exchange transactions was identified, the result of which was to create transfers totalling US$3.6 million between certain accounts. Of these transactions, transfers of US$2.9 million have been made from certain customer accounts to The Capital Fund, a fund for which Futures Advisory Services Limited, a related company, is a trading advisor. Materially all of the assets of The Capital Fund have now been returned to the relevant investors, one of whom is connected to a person who was then a director of the company. The directors have been unable to find any authorisation for these transactions. It is currently not possible to ascertain what compensation, if any, may ultimately become payable or recoverable, although the directors have written to all the affected customers seeking confirmation of their account balances and have received a number of affirmative replies and no negative replies.

b) A number of significant receipts and payments, including receipts relating to Finley International Limited (Note 20(e)), was identified in respect of which the directors were unable to find supporting documentation or authorisation from the external counterparty to the transaction. The directors have obtained third party confirmation for certain of these transactions subsequent to year end although the remaining transactions are unsupported as at the date of board approval of the accounts. The company has not received any communication from customers which would indicate that any customer has an outstanding claim against the company despite a lapse of considerable time since these transactions took place. Pending receipt of these confirmations, it is not possible to assess what liabilities may accrue to the company in the future. The directors are currently unable to provide support in respect of receipts of US$49.6 million and payments of US$4.7 million, and include receipts of US$20.5 million relating to Finley International Limited.

c) The directors have come into the possession of an agreement stating that on 3 February 1988, Mr. A.R.H. Khalil entered into an agreement to sell 8,250,000 shares in the company to Mr. S.Z.A. Akbar for a consideration of £4 million and the settlement of undisclosed previous accounts between the two parties from 1976 to that date. The cash consideration of £4 million was paid to Mr. A.R.H. Khalil on 4 February 1988 and was charged to a customer account which did not contain sufficient funds.

The directors have received no formal notification of the existence of this transaction nor have they received a request from either of the parties to the agreement to register any related share transfers. The legal advice received to date by the directors is inconclusive as to whether this transaction constitutes assistance by the company in the purchase of its own shares contrary to Section 151 of the Companies Act 1985.

NOTES TO ACCOUNTS (Continued)

22. SUBSEQUENT EVENTS:

The directors have identified or updated the following subsequent events in the period from 9 May 1989 to the date of approval of the accounts by the board of directors-

a) On 17 July 1989 the Council of the AFBD resolved that the company should be expelled from membership effective one month from the date of the decision and pay costs of £400,000. The expulsion took effect on 17 August 1989. The company resigned from membership of The Securities Association on 25 July 1989.

b) Mr. S.Z.A. Akbar was found guilty in the United Kingdom of a conspiracy offence and was fined and sentenced on 4 October 1990 to a period of imprisonment of eighteen months.

c) The balance on the customer accounts owned by Mr S. Z. A. Akbar has changed from a net creditor balance of £326,469 at 31 October 1988 to an (unaudited) net debtor balance of £7,029,511 at the date of approval by the board of directors of the accounts. Trading on the accounts was suspended in October 1990 by the company.

d) Since the balance sheet date £270,000 has been paid to Mr. S.Z.A. Akbar as a hardship allowance (Note 20(i)). As these payments relate to a period after 31 October 1988, this amount has not been included in the profit and loss account for the year ended 31 October 1988.

e) The subordinated loan to Capcom Futures, Inc. of £7,068,137 has been repaid in full subsequent to the balance sheet date.

f) The market memberships disclosed at cost in Note 12, other than membership to the London Potato Futures Association and to the London Traded Options Market, have been sold subsequent to year-end for a net profit of £253,622.

g) On 2 May 1989, Capcom Futures, Inc. redeemed Mr. S.Z.A. Akbar's shares and repaid his related loan of US$700,000 to the company. In addition, Capcom Futures, Inc. redeemed 8,100 ordinary shares of US$5 from the company in order to maintain the company's effective shareholding at 4%. On 7 September 1990, Capcom Futures, Inc. redeemed Mr Rosrell's and Mr Magness' shares and repaid their related loans of US$400,000 and US$100,000 respectively to the company.

h) Mr Serageldin-

i) The company entered into an agreement with Mr Serageldin, a director of the company from 16 November 1988 to 26 July 1989, to pay him introductory commission for certain new clients introduced by him to the company.

ii) On 12 July 1989 the company received a Writ of Summons from a client claiming US$406,551 and DM118,597 due on the client's accounts. Under a Court Order dated 18 October 1990, and following the payment of the two amounts (US $406,551 and DM118,597) by Capcom into court pursuant to previous Court Order dated 23 August 1989, it was agreed that the issue as to the ownership of the contested amounts was purely an issue between two clients. The company has been released from the action.

NOTES TO ACCOUNTS (Continued)

22. SUBSEQUENT EVENTS (Continued):

On 14 August 1989 the company issued a Writ of Summons against Mr. Serageldin. The Writ, which Mr. Serageldin is defending, claims, amongst other matters, breach of contract and/or duty and/or deceit, profits wrongfully made as commissions or otherwise and monies wrongfully paid out of accounts. It is not currently possible to ascertain what compensation, if any, may ultimately become recoverable in respect of this matter.

i) On 15 November 1988, the company entered into an agreement for the purchase of office premises at Paul Street in London, for a basic cost of £1.55 million. On 30 May 1990, the company also entered into an agreement with a contractor to refurbish the building at a cost of £1.1 million. These commitments have been contracted in the name of Capitol Estates Limited, a wholly owned subsidiary incorporated on 11 November 1988.

EXHIBIT W
Received on 21/6/92

CAPCOM FINANCIAL SERVICES LIMITED

Signed copy

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST OCTOBER 1989

Kingston Smith Chartered Accountants

Devonshire House, 146 Bishopsgate, London EC2
Surrey House, Surrey Street, Croydon
Middlesex House, 800 Uxbridge Road, Hayes
Exchange House, 180-182 St. Mary's Lane, Upminster
105 St. Peter's Street, St. Albans, Herts

CAPCOM FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST OCTOBER 1989

The Directors present their annual report on the affairs of the Company, together with financial statements for the year ended 31st October 1989.

Principal Activity and Business Review

The principal activity of the Company was foreign exchange dealing. In the previous year, the Company had ceased to provide services to customers in the futures and options markets.

The loss on ordinary activities after taxation was £868,186. Brokerage and commission income was £1,445,117 during the year compared with £7,156,692 in the previous year. The Directors do not recommend the payment of a dividend.

Subsequent Events

The Directors' Report for the year ended 31st October 1988 referred to a number of events that occurred between that balance sheet date and the date those Accounts were approved, 31st January 1991. Relevant details of those matters are given in Notes 17 and 18 to these Accounts.

In July 1991 Bank of Credit and Commerce International ('BCCI') was effectively put out of business by the Bank of England, in conjunction with other regulatory authorities around the world. The Bank of England's action was partly the result of a report on BCCI prepared by Price Waterhouse. The Price Waterhouse Report appears to refer to Capcom at certain places (although actual names have been removed from the copies available to the public). It appears to have been alleged that in an eighteen month period between 1984 and 1985, while Capcom was a broker for BCCI, transactions were carried out in the options market which had the effect of concealing alleged large losses in BCCI.

In August 1991, the Serious Fraud Office, as part of its investigation into BCCI generally, searched Capcom's premises. Capcom have voluntarily been assisting the Serious Fraud Office with any investigations they might wish to carry out. No charges have been made against Capcom or any of its Directors or staff in connection with such matters.

In August 1991 a Grand Jury indictment in the United States of America named Capcom as a participant in financial transactions, involving BCCI and alleged criminals. In particular, it is alleged that Mr. Syed Ziauddin Ali Akbar, who was then a Director of Capcom but resigned in October 1988, had assisted BCCI in transferring money into accounts owned by General Manuel Noriega, who is in custody.

US prosecuting authorities have sought to proceed against Capcom by serving papers on a Company which is not a Subsidiary of Capcom. Capcom has been advised by its US lawyers that the purported service is ineffective, and that Capcom should take no part in such proceedings. The Federal Court in Tampa, Florida notified Capcom that it would treat Capcom's failure to appear before it as contempt unless good reasons for such failure were given to it. Capcom's US lawyers have advised Capcom that for legal reasons Capcom should not appear before the court. In default, the court has imposed a fine of $5,000 a week on Capcom for contempt. Having obtained advice from Queen's Counsel, Capcom's Directors are confident that this court order will not be enforced by the English Courts. A peculiarity of the US legal system is that a defendant cannot dispute an issue such as proper service until the entire case has been heard, so appearance before

Subsequent Events (Continued)

the court would involve Capcom in very considerable expenditure in time and money which the Directors do not consider to be justified.

Arising out of the allegation that money had been transferred on behalf of General Noriega, the Republic of Panama has commenced legal proceedings against Capcom for the return of $23,280,755 (plus interest) which it is alleged, is money owing to the Republic of Panama which Capcom has received.

Capcom are defending these proceedings. The funds in question were received from Finley International Limited, a Liberian Company maintained by Mr. S.Z.A. Akbar and Mr. G.R. Khan, on behalf of El Rayan Investments Limited. It is Capcom's case that the funds were remitted for and on behalf of El Rayan Investments Limited in Egypt in settlement of a trading debt which was then owed by them to Capcom.

As part of their court proceedings, the Republic of Panama obtained a Mareva Injunction against Capcom which limits Capcom's payments to business payments. The form of this injunction was agreed with Capcom and it permits Capcom to carry on its trading activities and to provide security to its bankers and trading partners in a full and unfettered manner.

An order blocking all accounts of the Company held at Banque Leu Geneve S.A. was issued in December 1991 by the Republic and Canton of Geneva. This order was issued as a result of the Swiss authorities receiving information concerning the actions by the State of Panama and the Grand Jury indictment in the Unites States of America referred to above. The Company have co-operated fully with the Swiss authorities but as at the date of approval of these financial statements the blocking order had not been removed.

On 30th January 1992 Capcom was served with a class action in the Californian Courts in which Capcom is named among 76 other defendants. The action is related to BCCI and its activities. The case was dismissed but the plaintiffs are appealing against the dismissal.

In April 1992 correspondence was issued by Alexandria Commercial & Maritime Bank Limited of Alexandria, Egypt demanding payment from the Company of sums totalling approximately £7,000,000 (at current exchange rates) under guarantees alleged to have been given by the Company in favour of that Bank and relating to such sums advanced by that Bank to Capcom Bankers Limited. These liabilities are not proven to the satisfaction of the Directors and are being resisted.

Capcom Bankers Limited is a Company incorporated in Vanuatu and is not directly connected with the Company. The current Directors, however, believe that Capcom Bankers Limited is owned by a former Director of Capcom Financial Services Limited.

6. STAFF COSTS (CONTINUED)

Directors' Remuneration

The employee costs shown above include the following remuneration in respect of Directors of the Company:

	1989	1988
Emoluments	145,497	225,000
Compensation for loss of Office	30,000	30,000
	£ 175,497	£ 255,000

The Chairman received no remuneration. Mr. M.D. Barrett received £15,000 during the year for his services as the Company's Solicitor (Note 17(i)).

Hardship allowance of £120,000 was paid to a former Director, Mr. S.Z.A. Akbar, during the year ended 31st October 1989 (Note 17(h)).

The highest paid Director received	£ 99,038	£ 92,000

Other Directors received emoluments in the following ranges:

	Number	Number
£0 - £5,000	2	3
£10,001 - £15,000	2	-
£15,001 - £20,000	1	-
£60,001 - £65,000	-	1
£65,001 - £70,000	-	1

Higher-paid Employees

Employees of the Company, other than Directors, whose duties were wholly or mainly discharged in the United Kingdom, received remuneration (excluding pension contributions) in the following ranges:

	Number	Number
£35,001 - £40,000	-	1
£45,001 - £50,000	-	1
£50,001 - £55,000	-	2

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

In view of the uncertainty over certain of the transactions set out in Notes 16, 17 and 18, no benefit has been taken for the possible utilisation of 1988 tax losses against deferred taxation liabilities and corporation tax paid relating to the year ended 31st October 1987.

CAPCOM FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 1989 (CONTINUED)

15. PROFIT AND LOSS ACCOUNT	1989	1988
At 1st November 1988	(2,037,760)	7,328,796
Loss for the year	(868,186)	(9,366,556)
At 31st October 1989	£ (2,905,946)	£(2,037,760)

16. FINANCIAL COMMITMENTS

(a) Capital Commitments

The Company had no capital commitments at the year end.

(b) Contingent Liabilities

i) The Company had contingent liabilities for futures, options and foreign exchange contracts entered into on behalf of customers in the normal course of business, all of which have been subsequently settled.

ii) The Company is a defendant in litigation commenced in the United States of America on 18th October 1988 for allegedly carrying out financial transactions involving proceeds derived by third parties from illegal drugs dealings. The Directors of the Company intend to defend this charge and have made provision in the 1988 Accounts for estimated legal costs and fees paid to regulatory bodies and others in relation to investigations of £1,222,982. No provision has been made for any fine which may become payable, since proceedings have not to date been served on the Company.

The Company has also guaranteed to indemnify Mr. S.Z.A. Akbar, a former Director and a Shareholder of the Company, against all of his legal costs relating to the charges brought against him in the United Kingdom and in the United States of America (Note 17(g)). In the Accounts for the year ended 31st October 1988 the Directors made an additional provision for estimated legal fees of £327,018 in respect of the cost of Mr. S.Z.A. Akbar's defence in the United Kingdom.

Up to the date of approval by the board of Directors of the Accounts, £1,504,372 had been paid by the Company for legal fees in respect of the above items, and for legal fees and other fees paid to regulatory bodies and others in relation to investigations into drugs money laundering. This includes amounts paid on behalf of Mr. S.Z.A. Akbar as disclosed in Note 17(g).

iii) On 23rd August 1991 the Company and Mr. S.Z.A. Akbar were (with others) indicted by the United States authorities for allegedly racketeering and laundering drug money involving Bank of Credit and Commerce International.

The Company's US lawyers have advised Capcom that for legal reasons it should not appear before the court. In default the court has imposed a fine of $5,000 a week on Capcom for contempt. The Directors are confident that the court order will not be enforced by the English courts.

16. FINANCIAL COMMITMENTS (CONTINUED)

The Company is also a defendant in litigation commenced by the Government of Panama in the United Kingdom on 2nd September 1991 in connection with receipts of US$20.5m from Finley International Limited (Note 18(b)). The Company has served a defence in relation to this action.

On 30th January 1992 Capcom was served with a class action in the Californian Courts in which Capcom is named among 76 other defendants. The action is related to BCCI and its activities. The case was dismissed but the plaintiffs are appealing against the dismissal.

The Directors are unable to estimate the costs of defending these actions.

(iv) An order blocking all accounts of the Company held at Banque Leu Geneve S.A. was issued in December 1991 by the Republic and Canton of Geneva. This order was issued as a result of the Swiss authorities receiving information concerning the actions by the State of Panama and the Grand Jury indictment in the United States of America referred to above. The Company have co-operated fully with the Swiss authorities but as at the date of approval of these financial statements the blocking order had not been removed. The Directors are confident that the blocked funds will be released but are unable to estimate the costs of defending the action or when the matter will be settled.

(v) In April 1992 correspondence was issued by Alexandria Commercial & Maritime Bank Limited of Alexandria, Egypt demanding payment from the Company of sums totalling approximately £7,000,000 (at current exchange rates) under guarantees alleged to have been given by the Company in favour of that Bank and relating to such sums advanced by that Bank to Capcom Bankers Limited. These liabilities are not proven to the satisfaction of the Directors and are being resisted.

(c) Lease Commitments

At 31st October 1989 the Company had annual finance lease commitments of £57,000 (1988 - £43,749) in respect of property and equipment leases which expire after five years.



WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT

November 17, 1981

S. Ziauddin Akbar
Bank of Credit and Commerce International
100 Leadenhall Street
London, England EC3A, 3AD

Dear Mr. Akbar:

I am taking the liberty of enclosing some information on Tele-Communications, Inc. which is the company I work for and have for the past 21 years. I am forwarding this information to you because I have received the attached communications from Amex, Inc. regarding the possibility of a cable television system, I believe, in Saudi Arabia; however, the letter does not say for certain. I am in hopes you will forward this material to Mr. Khalil for me and ask him his reaction to the proposed joint venture. It may be possible Mr. Khalil knows Sheik Al-Khalifa and could inform me as to whether it would be advisable to enter into a joint venture with him. In any event I would very much appreciate his comments. I would send this material directly to Mr. Khalil; however, I do not have his address. Thank you very much for your help and thank you also for your help to Kerry Fox and myself during his recent visit to London. I am looking forward to seeing you in this country at the earliest possible time.

Best personal regards,

Larry Romrell

mk

A-07037



WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT

November 3, 1982

Mr. S. Ziauddin Akbar
Bank of Credit & Commerce International
100 Leadenhall St.
London, England EC3A,3AD

Dear Mr. Akbar:

I thought you might be interested in the enclosed report on our company, Tele-Communications, Inc. On August 19, the date of this report, our TCI stock was being traded for $13 3/8 per share. Today, November 3, the stock is priced at $25 1/2 per share. If you need any further information, please give me a call.

Best personal regards,

Larry Romrell

/te
enclosure

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6/9/83

ATTN MR AKBAR

AT THE TCI STOCKHOLDERS MEETING THIS MORNING IT WAS ANNOUNCED THERE WOULD BE A ONE FOR ONE STOCK SPLIT OF TCI STOCK, EFFECTIVE DATE 6/24/83.

BEST REGARDS
LARRY ROMRELL
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WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT
DIRECTOR

May 24, 1985

Mr. Z. Akbar
Bank of Credit & Commerce Intl.
100 Leadenhall
London, England

Dear Mr. Akbar:

I thought you would appreciate receiving the TCI and WTCI Annual Reports which have just recently come out. I believe both companies are doing very well and in fact will continue to do so in the foreseeable future.

Best personal regards,

Larry Romrell

Enclosures

A-04803

GENERAL OFFICES • PARK PLACE • 5690 DTC BOULEVARD • SUITE 500
P.O. BOX 4117 • ENGLEWOOD, COLORADO 80155 • (303) 796-9100

WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT
DIRECTOR

November 14, 1984

Mr. Ziauddin Akbar
Bank of Credit & Commerce International
100 Leadenhall St.
London EC3A 3AD UK

Dear Mr. Akbar:

I am enclosing an analyst report on WTCI and a current news clipping from the Wall Street Journal. I thought you might be interested in the good performance of WTCI after it split off from TCI last April. As you know, Bob Magness is still the Chairman of WTCI and is the controlling shareholder. I am the Executive Vice President, Secretary and a Director of WTCI.

I was informed the other day by the TCI finance group that they are interested in obtaining a loan facility in Eurodollars directly from a U.K. lending institution. I asked Bob Magness if he was sincerely interested in such a facility and whether he would want to try to go direct to BCCI. He has asked me to determine whether there would be any interest on the part of BCCI. As you know, TCI has extremely good banking relationships in the United States, and through those relations, they are able to borrow Eurodollars taking advantage of periodic improved interest rates. The costs, however, of going through the U.S. institutions for Eurodollars are not attractive because the managing institution on the U.S. side marks up the facility in order to profit from it. I believe the credit facility that TCI is looking for is around $200,000,000. I believe TCI can assist in putting a group of banks together, if necessary, to fund the entire amount. If you are interested in investigating this further, I will be very happy to make the arrangements. If not, please do not feel an obligation to pursue it because Mr. Magness and I are very happy with our own personal relationships with you, your bank and other associates we have in the U.K.

As a separate matter, WTCI will soon be looking for approximately $50,000,000 to construct a new microwave route from Chicago to Dallas via Kansas City. Our principle customer for this route is a British company named Cable & Wireless. You may be familiar with them. I believe they have a very impressive financial statement and have proven to be an extremely stable and respected company. Their contract with WTCI will be for a term of 15 years with renewal options of an additional two 5-year periods. Their contract calls for an annual payment of $9,842,844 per year. Our operating costs of this system will be $1,652,000 per year. There are certain other favorable factors in our arrangement with Cable & Wireless in that we have inflation factors which will adjust their rate based on our cost of operations. As the cost of operation goes up due to increased salaries or increased repair parts, we can adjust their annual charge accordingly. In addition, WTCI will be in a position to add additional facilities in the same microwave stations for other customers at very high profit levels. WTCI will be looking for a $50,000,000 credit line secured by all of the

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P.O. BOX 4117 • ENGLEWOOD, COLORADO 80155 • (303) 796-9100

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equipment, buildings, towers, etc. for this entire route. WTCI would also be willing to pledge their contracts with Cable & Wireless. We have several opportunities in the U.S. to obtain this credit line. My thought is, given the differential in current interest rates, there may be an opportunity to put this deal together with BCCI if you are interested. Again, let me stress that as far as Mr. Magness and I are concerned, you should feel no obligation whatsoever to pursue these loans. Your failure to do so certainly will not negatively affect our relationship with you or the bank.

Best personal regards,

Larry Romrell

/te

Enclosures

WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT
DIRECTOR

February 20, 1985

Mr. Ziauddin Akbar
22 Basing Hill
Goldersgreen, London NW11

Dear Mr. Akbar:

I am enclosing herewith a five-year projection on Western Tele-Communications, Inc. along with a recent press release. Please note that the numbers in the projection are in millions as indicated at the top of the page. I believe the revenues are conservatively stated and may be as much as 15% understated, as they do not include any service contracts we are currently working on which would come into service within the next five years. I will be in touch with you by telephone within the next day or two to discuss any questions you might have on the enclosed.

Best personal regards,

Larry Romrell

LR/sm

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To: Mr. Ziauddin Akbar
Bank of Credit & Commerce Intl
London

Mr. Akbar,

I understand the WTCI stock will officially start trading at opening of business tomorrow, March 20. I want to confirm my understanding that I have established pursuant to my conversation with you a $100,000 credit line with which to purchase stock and, in addition, that you have authorized me to purchase stock in your behalf up to a $100,000 limit. The combined credit line would then be $200,000 except that I would reduce my credit line within 30 days from $100,000 to $85,000. If this is not your understanding or does not meet with your approval, please contact me immediately.

Best regards,

Larry Romrell
Denver, CO
Telex 45-4457

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WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT

April 2, 1984

Mr. Ziauddin Akbar
Bank of Credit and Commerce International
100 Leadenhall Street
London EC3A 3AD

Dear Mr. Akbar:

I am enclosing herewith an Information Statement which has just become available this morning covering the distribution to the TCI shareholders of all the outstanding shares of WTCI, the microwave common carrier. I understand from one brokerage firm that they have had buy orders in for the WTCI stock starting at $2.00 per share, then moving to $2.50, $3.00, $3.50 and $4.00 per share. They have not been able to purchase any WTCI stock up through today at these prices. The stock itself will be distributed today by mail along with the enclosed Information Statement to all TCI shareholders. I believe after this distribution, the real market may be established. If the institutions holding TCI shares decide to sell their WTCI dividend, we expect that the price will fall sharply. If, on the other hand, these institutions hold their shares for a period of time, there is a possibility that the WTCI stock price will sell for a price upwards from $8.00. I still intend to buy for our accounts at the best possible price somewhere between $2 to $4.50. If you have any comments or require any additional information, please give me a call.

On the subject of an aircraft, I am enclosing a copy of our August 22, 1983 agreement with Jeffrey A. Marcus of Commander Airways. This agreement covers the jet prop Commander shown in the brochure I sent you about a week ago. As you can see from the agreement, TCI has been paying $10,000 per month against 40 hours per month actual flying time. This 40 hours per month can be averaged over the six month period or not greater than 240 hours without additional charge. As you can see from the agreement, TCI has been responsible for the aircraft's maintenance and insurance. I estimated that TCI's full cost per hour of airplane flying time based on 40 hours per month was around $530 per hour. This includes the $10,000 per month lease, approximately $8,400 per year insurance, hangar fees of approximately $1,000 - $1,500 per month, fuel cost, hourly reserve for maintenance and cost of one pilot (which is all that is really necessary).

Mr. Akbar, if you are interested in looking at this airplane, I am sure I can arrange to have it available for your use during your April visit to the United States. It would be very practical to use between New York and Chicago, for instance, or New York and Miami. It would be a little slow to use on a New York - Denver -Los Angeles trip. If you have an interest in a long term lease or a per occasion lease, please let me know with enough advance notice to schedule it for your use. Mr. Marcus has told me that he would be very interested in structuring a lease with you which based the aircraft in New York. This would enable him to use the airplane for his business use when you do not require it.

A-04635

Bob Magness and I are most anxious to visit with you with regard to the business opportunity we discussed in Chicago or New York. We would be very pleased to meet you in either Chicago or New York to discuss the particulars of this venture. If this meets with your approval, please let me know the date of such meeting so I can schedule it with Mr. Magness.

Please inform Mr. Puri that I have not as yet been able to structure with Mr. Magness a final resolution on the Los Angeles building. He has been out of town again and has not been available to finalize the figures. I still hope to be able to transmit final numbers to you before your departure to the U.S.

Mr. Akbar, if you need any further information on any of the above subjects, please telephone me.

Best personal regards,

Larry Romrell

/te
Enclosures

WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT
DIRECTOR

July 20, 1987

Sheik Abdel Raouf H. Khalil
Kamal Adham Office
Jeddah, Saudi Arabia

Sheik Kamal
Kamal Adham Office
Jeddah, Saudi Arabia

Mr. El Gohary
Kamal Adham Office
Jeddah, Saudi Arabia

Dear Gentlemen:

I have just returned to Denver from a meeting in Chicago with the CAPCOM lawyers and the CFTC Audit Committee. During a break in this meeting, Mr. Akbar had a private meeting with me in which we discussed his recent conversations with you concerning the actions of the Board relative to the CAPCOM-Chicago guarantees. I have the impression from this conversation that there is some dissatisfaction with the Board actions and resolutions concerning the entire CAPCOM-Chicago operation. I had not been aware of your concerns until Thursday, July 16th, as I had thought you were in full agreement with the actions we were taking. The Chicago Board of Trade had not given us any alternatives if we were to continue our memberships and trading positions. It was my understanding that the majority shareholders were not willing to sign these guarantees (with perhaps good reason). In order to continue to operate the business as had been intended originally, several of us stepped up to sign the guarantees taking on considerable personal risk on behalf of the remaining shareholders. I assure you that our intent in doing so was not to restructure the company's assets. As far as I personally am concerned, except for my paid-up stock and notes, I have acted as nominee for one or more of the original shareholders. I have done this out of a fond friendship for Mr. Khalil, Mr. Akbar and Mr. Puri, and as I said earlier, I trusted that it was with everyone's approval.

After my conversation with Mr. Akbar I have given this matter much thought. My concern is that I serve on the Board of Directors of several public companies in the United States. These companies are regulated very closely by the Securities and Exchange Commissions. In addition, I serve on a large bank board and certain audit committees of

the bank. Also, I am an officer in several large public companies. If it were found by any securities organization that CAPCOM was not operating entirely within their rules and good conduct, it would reflect very poorly on the companies I head-up. I view my job as Chairman of the Board of the London and U.S. CAPCOM Companies very seriously. The Chairman serves at the pleasure of the shareholders. If the shareholders of the company are unhappy with the Chairman's actions he should be replaced. If we have a serious split in the desire of the shareholders then it is my belief that I should resign rather than jeopardize the integrity of other companies I serve on, due to what might be a very honest difference of opinion within the CAPCOM shareholders. Please be assured that if it becomes necessary for me to resign, I am still most desirous of maintaining my contact and friendship with everyone involved with CAPCOM. If I can answer any questions for you relative to the Chicago office and the requirements of the Board of Trade, please let me know. Further, If I can in any way help to resolve the issues that have prevented you from signing the resolutions and minutes (which would clear-up the Chicago operation as far as the Board of Trade is concerned), please contact me directly.

In closing, let me share with you one more thought. Most of us, including Mr. Magness and myself, have purchased stock in CAPCOM, but have done very little to contribute further to the success of the company. The company, as it exists today, is worth a fair amount of money. In fact, it has a return after taxes on the initial investments of over 50%. This is due to the considerable efforts of all the CAPCOM staff, but most specifically to the efforts of Mr. Puri and Mr. Akbar. Together they have single-handedly brought in virtually every significant account and made the company the success that it is today. I would not want them to get the impression that this is not appreciated, because they have made each and every one of us a very good return on our investment. In summary, let me just say that as Chairman of CAPCOM I work for all the shareholders and I do not feel that I have any particular loyalties that would sway my actions in favor of one group over another. If there is anything I can do at this point to resolve the differences and issues, I will be happy to do so.

Best personal regards,

Larry Romrell

LR/sm

WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT
DIRECTOR

July 26, 1987

Sheikh Abdul Raouf H. Khalil
Kamal Adham Office
Jeddah, Saudi Arabia

H.E. Sheikh Kamal Adham
ARINCO, Jeddah

El Sayed E. El Jawhary
ARINCO, Jeddah

Dear Mr. Khalil:

With respect to the CAPCOM-Chicago issues we have been discussing, you asked me to call a shareholder meeting of all the shareholders of CAPCOM. I believe both you and I would have liked to have held this meeting within the next few days. However, because of Bob Magness' and my prior commitments neither of us can meet until late August. At the earliest August 17th and 18th. It has been pointed out to me (see attached fax dated July 24th) that the closing date for reports due to the Chicago Board of Trade for CAPCOM-Chicago is August 15th. The reports themselves will need to be prepared by August 12th. These reports are detailed and require us to indicate, again to the Chicago Board of Trade, the CAPCOM-Chicago capital, shareholders and percent of shares held.

Thus, there is a problem with the proposed shareholder meeting date, as the issues must be resolved prior to this filing. As you know, the reorganization plan for CAPCOM-Chicago has already been filed. It was filed, as we discussed, because the Chicago Board of Trade required that the CAPCOM shareholders of more than 4% guarantee the principal trades of CAPCOM-London. It was my understanding that at that time the majority shareholders representing yourself, Sheikh Kamal and Mr. S. Jawhary would not sign the guarantees. After much discussion and good legal advice the reorganization was filed. We did not feel it was the best plan, but it was the only one we could see that would retain the original shareholders through voting trusts and nominees and meet the needs of the Chicago Board of Trade. It was understood by the reorganized shareholders that they were nominees for the original shareholders. Thus, the actual beneficial ownership did not change. To file an inconsistent report at this time would certainly jeopardize the good name and standing of CAPCOM. On the other hand, if after filing a consistent August 15th report the shareholders (which you control) you wish to make changes of any kind to the nominees, the capital structure or anything else this will be possible.

Mr. Khalil, I understand your position in that you had not agreed to the Chicago reorganization, and you would like to have a meeting of the shareholders to discuss it further and to find other ways of

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P.O. BOX 4117 • ENGLEWOOD, COLORADO 80155 • (303) 796-8100

accommodating the Board of Trade's request. Further, that you would like to do away with nominees altogether and show the exact shareholders as they are. The Board of Trade in that event would require, of course, the shareholders to sign guarantees. This all can be done at any time, but I believe that it is important that the company not suffer in the eyes of the Board of Trade or its customers. Otherwise, all shareholders will be damaged in the value of their shares.

At the time we last spoke, I felt a meeting of August 17th and 18th in Chicago would resolve the issues. However, it appears in view of this last information that the meeting would come too late to resolve the issues prior to filing the reports with the Board of Trade. Since I will not be available until August 17th, you have my assurance that I will abide by your decision in either event. I will continue to be available to you by telephone until we are able to have a shareholders meeting. If I can of any help please place a call to my office. If I am not in, my secretary will be able to find me and I will return your call promptly.

Best personal regards to each of you. I look forward to meeting with you soon.

Best regards,

Larry Romrell

LR/sm

CHICAGO MERCANTILE EXCHANGE

89-CH-8911
ACTIVITIES OF CAPCOM FUTURES, INC.
FROM JANUARY, 1986 THROUGH MAY, 1989

INDEX

	PAGE
SUMMARY	1
ADDENDUM A - CME QUESTIONS	6
ADDENDUM B - CAPCOM-U.S. DRAFT RESPONSE	27
ADDENDUM C - CAPCOM-U.S. LETTER MAY 31, 1988	131
ADDENDUM D - CAPCOM-U.S. LIST OF SHAREHOLDERS	132

8/21/89 /lmb

FILE NO.: 89-CH-8911

ORIGIN: Internal Investigation

SUBJECT: Activities of Capcom Futures, Inc. From January, 1986, through May, 1989.

BACKGROUND:

Capcom Futures, Inc. ("Capcom-U.S.") was approved to become a clearing member of the Exchange on October 16, 1985. In the course of an internal investigation into the firm's activities, on August 1, 1989, Mr. Kevin Holland, Vice President, Audit Department, sent to Mr. Mohammad Saghir, President of Capcom-U.S., a list of questions regarding certain transactions. On August 9, 1989, the firm responded with an undated document entitled "Draft Responses of Capcom Futures, Inc." ("Draft Response"). Mr. Holland's letter and the Draft Response are attached hereto as Addendum A and B, respectively.

SUMMARY:

1. On April 27, 1987, there were nine transfers of positions and on April 28 and 29, 1987, there were seven transfers of funds, from unaffiliated Capcom-U.S. customer accounts into Ixora account #101-10205 ("Ixora Account"), an account owned and controlled by Mr. Ziaudinn Ali Akbar, who controlled Capcom-U.S.'s parent, Capcom Financial Services, Ltd. (Capcom-U.K.). The details of such transfers are set forth in Exhibit I to Addendum A. No written authorizations were obtained from customers prior to these transfers of funds.

2. The Ixora Account actively traded from December, 1986, until May, 1987. From November, 1987, through October, 1988, there were twelve receipts into the account totalling $9,848,311.09 and twenty-five disbursements from the account totalling $9,821,993.82. The details of these transactions are set forth in Exhibit III to Addendum A.

3. Multiple transfers of funds occurred between Mr. Mohammed Zaheer's (the brother of Mr. Saghir) account #101-10204 ("Zaheer Account"), and two unaffiliated customer accounts. These transactions are set forth in Exhibit IV.A. to Addendum A.

4. On October 29 and 30, 1987, there were six receipts to and two disbursements from the Zaheer Account, totalling $4,848,541.89 and $4,800,000, respectively. The details of these transactions are set forth in Exhibit IV.B. to Addendum A. On October 29, 1987, there was no trading activity in the account. On October 30, 1987, there were 15 transactions in December, 1987, T-Bond futures in the account. From the period December 31, 1986, through May 31, 1989, the ledger balance of the account was usually

less than $150,000.

5. On October 6, 1988, Mr. Javed Razzaqui's account #101-10254 had a debit balance of $145,575.56. On that date, Capcom-U.S. accepted trades from Mr. Razzaqui in a separate trading account (#101-10264).

6. On April 10, 1987, Capcom-U.S. opened account #101-10255 for Mr. Karim R. Faridi and Mr. Kahlil A. Zobairi, and opened account #101-10256 for Mr. Zobairi and Mrs. Tazeen K. Zobairi. On October 5, 1987, $10,000 was received from Messrs. Faridi and Zobairi and purportedly credited to their account. On September 1, 1987, $30,000 was received from Mr. and Mrs. Zobairi and purportedly credited to their account. Such amounts were not credited to those accounts. The $10,000 purportedly received for the account of Messrs. Faridi and Zobairi was instead credited to Capcom-U.S.'s house bank account #203-443-7 at Harris Trust & Savings Bank. The $30,000 purportedly received from Mr. and Mrs. Zobairi was instead credited to Capcom-U.S.'s house bank account #203-421-3 at Harris Trust & Savings Bank.

7. On the July 31, 1987 quarterly 1-FR provided by Capcom-U.S. to the Exchange, a loan to Capcom-U.K. in the amount of $2,984,124 was classified as a current receivable. The collateral servicing the loan was encumbered, requiring that the loan be classified as noncurrent. Calculation of the firm's adjusted net capital with the loan classified as noncurrent results in a decrease in capital of 21.6%, to $10,459,842 from the previously reported figure of $13,353,966.

8. In June, 1987, the ownership of Capcom-U.S. was restructured to accomplish a reduction of Capcom-U.K.'s ownership in Capcom-U.S. from 82% to 4%. The individuals who purchased Capcom-U.K.'s shares in Capcom-U.S. did so with funds borrowed from Capcom-U.K. The restructuring occurred when the Chicago Board of Trade Clearing Corporation imposed a requirement that the owner of 5% or more of a clearing member guarantee the house obligations of such member. In May, 1988, CME Rule 901.L. became effective, which imposed a comparable requirement on its clearing members. On May 31, 1988, Capcom-U.S. provided the information set forth in Addendum C hereto, in response to a request from the CME Audit Department to all clearing members for information regarding ownership in the firms.

CAPCOM-U.S.'S RESPONSES:

1. With respect to the facts set forth in Summary Paragraph 1, the firm indicated that it did not know the purpose of the funds transfers, and that generally, oral instructions were received from customers and confirmed in writing, although the files showed no confirmations in some instances. With respect to the transfers of

positions, the firm indicated that these occurred during its first year of operation, "when its understanding of the rules was not as clear as it should have been." In addition, neither counsel nor an FCM to whom the firm paid a management fee raised concerns with respect to these transactions. The full response is set forth in Addendum B Paragraph A.

2. With respect to the facts set forth in Summary Paragraph 2, the firm indicated that it did not know the purpose of the transactions, and did not subject the account "to unusual scrutiny or monitoring." The head of Ixora, Mr. Akbar, told the firm he intended to use the account for trading and the firm anticipated significant trading volume. The full response is set forth in Addendum B Paragraph B.

3. With respect to the facts set forth in Summary Paragraph 3, the firm indicated that it did not know the purpose of the first three transfers set forth in Exhibit III hereto, and that the two $20,000 transactions "were partial repayment of a $50,000 loan between Mr. Rizui and Mr. Zaheer." In addition, the firm stated that "in at least one case, there appears to be written confirmation (see your Exhibit II 1/10 [to Addendum A])." The full response is set forth in Addendum B Paragraph C.

4. With respect to the facts set forth in Summary Paragraph 4, the firm replied in full as follows: "Mr. Saghir was responsible for this account, however, the account was not subjected to any unusual scrutiny or monitoring. The transactions were not understood to be unusual or irregular." (Addendum B Paragraph E.)

5. With respect to the facts set forth in Summary Paragraph 5, the firm replied in full as follows: "Mr. Razzaqui had promised to repay his debt expeditiously and we allowed him to trade as an accommodation. Mr. Razzaqui had told us that he was arranging for the sale of his house in New York for approximately $650,000 and could thereby repay any debit that he had accumulated." (Addendum B Paragraph F.)

6. With respect to the facts set forth in Summary Paragraph 6, the firm responded in full as follows: "The heading of 'trading fund' on the letter dated January 18, 1988 does not refer to a separate fund or account. Rather, the accounts were opened by two bankers personally known by Mr. Saghir for purposes of beginning trading accounts. Accordingly, there are no records or documents to be submitted regarding a 'Trading Fund.'" (Addendum B Paragraph H.)

7. With respect to the facts set forth in Summary Paragraph 7, the firm responded in full as follows: "The loans described here were intercompany transactions supported by documentation that we are attaching herewith." (Addendum B Paragraph J.) The

attachments appear at the end of Addendum B.

8. With respect to the facts set forth in Summary Paragraph 8, the firm responded with the List of Shareholders attached as Addendum D hereto. (Addendum B Paragraph L.)

CLEARING HOUSE FINANCE SUB-COMMITTEE ACTION:

At its meeting of August 15, 1989, the Clearing House Finance Sub-Committee charged Capcom-U.S. with the following violations of Exchange Rules:

a. Two violations of Rule 432.b. ("Act of bad faith"), for (1) commingling customer funds with house funds (as more fully described in Summary Paragraph 6); and (2) failing to disclose sufficient information to enable the Clearing House Committee to determine whether securities owned by Capcom-U.K. and characterized as loans, as more fully described in Addendum D, should be deemed equity securities of Capcom-U.S. for purposes of Rule 901.L. (as more fully described in Summary Paragraph 8).

b. Four violations of Rule 432.o. ("Permitting misuse of facilities"), for not obtaining adequate explanation or corroborative documentation from its customers for the following transactions: (1) transferring funds and positions into the Ixora Account from unaffiliated customer accounts (as more fully described in Summary Paragraph 1); (2) permitting multiple receipts into and disbursements out of the Ixora Account when the account was not actively traded (as more fully described in Summary Paragraph 2); (3) permitting certain monetary transactions between the Zaheer Account and two unaffiliated customer accounts (as more fully described in Summary Paragraph 3); and (4) permitting multiple receipts into and disbursements out of the Zaheer Account when the account was not actively traded (as more fully described in Summary Paragraph 4).

c. Four violations of Rule 432.q. ("Detrimental act"), for not obtaining adequate explanation or corroborative documentation from its customers for the following transactions: (1) transferring funds and positions into the Ixora Account from unaffiliated customer accounts (as more fully described in Summary Paragraph 1); (2) permitting multiple receipts into and disbursements out of the Ixora Account when the account was not actively traded (as more fully described in Summary Paragraph 2); (3) permitting certain monetary transactions between the Zaheer Account and two unaffiliated customer accounts (as more fully described in Summary Paragraph 3); and (4)

permitting multiple receipts into and disbursements out of the Zaheer Account when the account was not actively traded (as more fully described in Summary Paragraph 4); and one violation of Rule 432.q. ("Detrimental act") for the conduct described in Paragraph a.(2) above.

d. Two violations of Rule 433.b. ("Uncommercial conduct"), for (1) the conduct described in Paragraph b.(2) above; and (2) the conduct described in Paragraph b.(4) above.

e. One violation of Rule 827.C. ("Accepting new trades when account undermargined"), for accepting trades from Mr. Razzaqui while his account had a debit balance (as more fully described in Summary Paragraph 5).

f. One violation of Rule 853.A.2. ("Transfers of positions with no change in ownership"), for transferring positions into the Ixora Account from unaffiliated customer accounts (as more fully described in Summary Paragraph 1).

g. One violation of Rule 921 ("Notification of reduction in capital in excess of 20%"), for failing to advise the Exchange of a reduction in capital of 21.6% as of July 31, 1987 (as more fully described in Summary Paragraph 7).

h. One violation of Rule 980 ("Compliance with financial requirements"), for commingling customer funds with house funds, in violation of Section 4d(2) of the Commodity Exchange Act and CFTC Reg. Section 1.20 thereunder (as more fully described in Summary Paragraph 6).

ADDENDUM A

CHICAGO MERCANTILE EXCHANGE

Kevin P. Holland
Vice President
Audit Department
312/930-3221

August 1, 1989

Mr. Mohammad Saghir
President
Capcom Futures, Inc.
440 South LaSalle Street
23rd Floor
Chicago, IL 60605

Dear Mr. Saghir:

By letter dated July 14, 1989, you were notified that the Clearing House Finance Sub-Committee rescinded the order that KPMG Peat Marwick conduct a special review of Capcom Futures, Inc. (Capcom - U.S.). The Committee directed the CME audit staff to conduct this review using the work and related results accumulated by the CFTC in performing its special review at Capcom - U.S.

The CME's review consists of a series of questions that are enclosed with this letter. A written response to each question is due by 5:00 p.m. on Tuesday, August 8, 1989. Please include any documentation the firm has to support its responses. The results of our review will be presented to the Clearing House Finance Sub-Committee at its next meeting.

If you have any questions, please call me or Mary Murphy at 930-3227.

Sincerely,

Kevin P. Holland

Enclosure

/cro

A. There were numerous monetary and position transfers into the Ixora account #101-10205 from unaffiliated Capcom-U.S. customer accounts. Details are listed in Exhibit I.

1. What is the purpose of the transfers from the unrelated customer accounts?

2. Who is the Capcom-U.S. employee responsible for authorizing these transfers?

3. The CME noted that Capcom-U.S. sent written confirmations to the customers requesting they acknowledge receipt of the confirmation. However, three of the customers did not sign the letter sent to them by Mr. Saghir. In addition, the letters did not contain any details about the transaction. Capcom-U.S. confirmations are included in Exhibit II.

   Why wasn't written authorization obtained from the customer prior to transferring funds?

4. On April 27, 1987, 12 June, 1987 T-Bond futures contracts and 8 June, 1987 T-Bond put option contracts were transferred into the Ixora account. Chicago Board of Trade Rule 444.01 does not allow trades to be transferred when a change of ownership is involved. Why did the firm allow this transfer to occur?

5. Did the firm question the unusual nature of these transactions? If not, why? If these transactions were questioned, what did the firm conclude?

B. The Ixora account actively traded until May, 1987. However, there were twelve receipts totalling $9,848,311.09 and twenty-five disbursements totalling $9,821,993.82 flowing into and out of the account from November, 1987 through October, 1988. The transactions are detailed in Exhibit III.

1. Why were there transactions in an account not actively trading?

2. Who was responsible to monitor the activity in this account?

3. In what manner was this account monitored? What explanation was received regarding the activity in this account?

4. There were two $25,000 disbursements on September 6 and 23, 1988. The disbursements were made to Akbar Bilgrami, Director of the Latin American Division for BCCI. Mr. Bilgrami was named in the indictment along with S.Z. Akbar and Capcom-U.K.

   a. What was the relationship between Akbar Bilgrami and Ixora?

b. What type of authorization was obtained from Ixora? Provide an explanation if authorization was not obtained prior to transferring the funds.

5. On September 23, 1988, $1,950,000 was disbursed from the Ixora account to Capcom-U.K. According to a recent report issued by Peat Marwick McLintock, Mr. Akbar stated that this sum represented the settlement of the sale of Capcom-U.K.'s shares in Capcom-U.S. Further, Mr. Akbar stated the Capcom-U.S. principal shareholders included S.Z. Akbar, Zask Trading, Larry E. Romrell, and Mohammad Saghir. Why would a transaction of this nature be made from a customer account?

C. There were numerous monetary transactions between Mohammed Zaheer's (Mr. Saghir's brother) account #101-10204 and two other unaffiliated customer accounts. A sample of these transfers are detailed in Exhibit IV.A.

1. What is the relationship between these three accounts?

2. What is the purpose of these transactions?

3. Who was responsible and what type of monitoring was Capcom-U.S. performing? Did the firm question why transactions of this nature were occurring? If not, why? If yes, what did the firm conclude on these matters?

4. Why wasn't written authorization obtained from the customer prior to the transfer of funds in two of the five transactions?

D. What was the occupation and place of employment of account owner #10204 - Mr. Zaheer, at the time the account was opened? This information was not included in the customer's account documentation.

E. On October 29 and 30, 1987, there were six receipts and two disbursements totalling $4,848,541.89 and $4,800,000, respectively, recorded in Mohammed Zaheer's account #10204. Mr. Zaheer did not actively trade on these dates. The transactions are detailed in Exhibit IV.B. The transaction amounts are material compared to the ledger balance which was usually less than $150,000 from the period December 31, 1986 through May 31, 1989.

1. What type of monitoring was performed by Capcom-U.S. over these material, unusual cash flows? Who was responsible for the monitoring?

2. Did the firm question why transactions of this unusual nature were occurring? If not, why? If yes, what did the firm conclude on this matter?

F. 1. Why was Mr. Razzaqui (account #101-10254) allowed to open another trading account (#101-10264) when the first account had a debit balance of $145,575.56? Refer to the letter in Exhibit V.

2. What efforts are presently being made to collect the net debit balance of $143,251.41 in accounts #10254 and #10264?

G. What is the occupation and place of employment of account owner #10254 and #10264 - Mr. Razzaqui, at the time the account was opened? This information was not included in the customer's account documentation.

H. According to account documentation, account #101-10255 is owned by Karim R. Faridi and Kahlil A. Zobairi and account #101-10256 is owned by Kahlil A. Zobairi and Mrs. Tazeen A. Zobairi. Included in the files for both accounts were letters on Capcom-U.S.'s letterhead dated January 18, 1988 from Mr. Saghir to the account owners regarding the net asset value of an investment in "Trading Fund". Refer to Exhibit VI.

1. What is the relationship between accounts #10255, #10256, Capcom-U.S., and "Trading Fund"?

2. Submit all records and documents regarding "Trading Fund".

I. What are the occupations and places of employment of account owners #10256 - Mr. and Mrs. Zobairi? This information was not included in the customers' account documentation at the time the account was opened.

J. 1. What was the purpose of the transactions in general ledger account #29100.110 "London loans" during the period April, 1986 through October, 1988?

2. What type of supporting documentation is there for these transactions?

3. If these transactions resulted in receivables from Capcom-U.K. and were considered secured, provide documentation supporting this classification.

4. If these are unsecured transactions but misclassified as a current receivable by the firm, how would this have affected Capcom-U.S.'s capital during the time period noted in J.1.?

K. 1. Account #101-10258 owned by Syed and Khalida Rizvi, has a free debit balance of $8,628.24 as of July 17, 1989. What effort is Capcom making to collect the debit?

2. On September 13, 1988, account #10258 received $50,000 from Capcom-U.K. What was the nature of this transaction?

L. In June, 1987, as a result of the Chicago Board of Trade's parent guarantee rule, Capcom-U.S. and Capcom-U.K. were restructured into separate, unaffiliated entities.

1. List the original shareholders of Capcom-U.S. prior to and after this restructuring.

2. Where or from whom did each of the shareholders obtain financing for their investments in Capcom-U.S. before and as a result of the restructuring of the firm? If possible, provide supporting documentation.

3. Did Mr. S.Z. Akbar finance any of the stock purchases in Capcom-U.S.?

During January, 1989 Mr. Saghir made two $250,000 payments. One payment was made to Mr. Akbar and the other was to Capcom-U.K. What was the purpose of these disbursements?

Exhibit I

ACCOUNT 101-10205

Date	Amount	Accounts Transferring Funds to Ixora	Adequate Authorization
04/28/87	$ 8,520.99	10204	No
04/28/87	13,131.37	10250	No
04/28/87	29,525.36	10251	No
04/28/87	15,410.15	10252	No
04/29/87	26,402.25	10254	No
04/29/87	20,000.00	10255	No
04/29/87	20,000.00	10256	No

Date	Quantity and Positions	Accounts Transferring Positions to Ixora	Adequate Authorization
04/27/87	1 June '87 T-Bonds	10204	No
04/27/87	4 June '87 T-Bonds	10254	No
04/27/87	2 June '87 T-Bonds	10250	No
04/27/87	3 June '87 T-Bonds	10251	No
04/27/87	2 June '87 T-Bonds	10252	No
04/27/87	2 June '87 T-Bonds 90 Put	10250	No
04/27/87	2 June '87 T-Bonds 90 Put	10252	No
04/27/87	3 June '87 T-Bonds 90 Put	10251	No
04/27/87	1 June '87 T-Bonds 90 Put	10204	No

Exhibit 11 'ID

CAPCOM

CAPCOM FUTURES, INC.
440 South LaSalle Street
23rd Floor
Chicago, Illinois 60605

Telephone: 312/663-7650
Telex: 4979041/CAPCOMM
Facsimile: 312/663-7666

April 27, 1987

Mr. Mohammad Zaheer
135 Station Road
London NW4
England

RE: A/C No. 10204

Dear Mr. Zaheer:

Reference to your telephonic instructions we have transferred your account balances and positions to IXORA Investment Ltd as of today. Kindly confirm our action by signing duplicate of this letter.

Thanking you.

Sincerely,

Mohammad Saghir
President

MS:rp

encl.

M. Zaheer

3/10

CAPCOM

CAPCOM FUTURES, INC.
440 South LaSalle Street
23rd Floor
Chicago, Illinois 60605

Telephone: 312/663-7650
Telex: 4979041/CAPCOMM
Facsimile: 312/663-7666

April 27, 1987

Mr. Iqbal H. Zubairi
El-Zahra Street Flat No. 601
Muhandeseen, Cairo
Egypt

RE: A/C No. 10251

Dear Mr. Zubairi:

Reference to your telephonic instructions we have transferred your account balances and positions to IXORA Investment Ltd as of today. Kindly confirm our action by signing duplicate of this letter.

Thanking you.

Sincerely,

Mohammad Saghir
President

MS:rp

encl.

5/10

CAPCOM

CAPCOM FUTURES, INC.
440 South LaSalle Street
23rd Floor
Chicago, Illinois 60605

Telephone: 312/663-7650
Telex: 497904/CAPCOMM
Facsimile: 312/663-7666



April 27, 1987

Mr. Javed Ahmed Razzaqui
68 Wayside Lane
Scarsdale, NY 10583

RE: A/C No. 10254

Dear Mr. Razzaqui:

Reference to your telephonic instructions we have transferred your account balances and positions to IXORA Investment Ltd as of today. Kindly confirm our action by signing duplicate of this letter.

Thanking you.

Sincerely,

M.S.

Mohammad Saghir
President

MS:rp

encl.

6/10

CAPCOM

CAPCOM FUTURES, INC.
440 South LaSalle Street
23rd Floor
Chicago, Illinois 60605

Telephone: 312/663 7650
Telex: 4979041/CAPCOMM
Facsimile: 312/663-7666

April 27, 1987

Mr. Karim R. Faridi
Mr. Khalil A. Zobairi
15/1 Jabbar Plaza
Saddar, Karachi
Pakistan

RE: A/C No. 10255

Dear Mr. Faridi:

Reference to your telephonic instructions we have transferred your account balances and positions to IXORA Investment Ltd as of today. Kindly confirm our action by signing duplicate of this letter.

Thanking you.

Sincerely,

Mohammad Saghir
President

MS:rp

encl.

9/5/87

CAPCOM

CAPCOM FUTURES, INC.
440 South LaSalle Street
23rd Floor
Chicago, Illinois 60605

Telephone: 312/663-7850
Telex: 4979041/CAPCOMM
Facsimile: 312/663-7866

April 27, 1987

Mr. Khalil A. Zobairi
Mrs. Tazeen Khalil Zobairi
46/1 15th Street, Phase V
Off Khayaban E-Mujahid
Defence Housing Authority
Karachi, Pakistan

RE: A/C No. 10256

Dear Mr. Zobairi:

Reference to your telephonic instructions we have transferred your account balances and positions to IXORA Investment Ltd as of today. Kindly confirm our action by signing duplicate of this letter.

Thanking you.

Sincerely,

M.S.

Mohammad Saghir
President

MS:rp

encl.

IXORA INVESTMENT LIMITED

c/o 22 Basing Hill
Golders Green
London
NW11 8TH

16 December 1987

Mr M Saghir
Capcom Futures Inc
23 Floor, 440 South LaSalle Street
Chicago
Illinois 60605
USA

Dear Sir,

To the debit of our Account No.10205, kindly pay US$29,646/- (Dollars twenty nine thousand six hundred forty six only) to Account 10204 with yourselves.

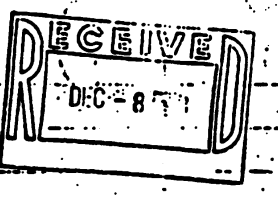
Thanking you.

Yours faithfully,
pp IXORA INVESTMENT LIMITED

.....
authorised signatory

EQVL £16,200.00

9/10



Capcon Futures Inc.,
440, S. Lasalle St.,
Chicago.,
Ill. 60605

Dear Sir,

Sub:- A/c No. 101 10258 in the name of S. M. H. Rizvi / Khalida Rizvi

You are requested to transfer a sum of $ 20,000/- (Dollar Twenty thousand) only to M. Mohammed Zaheer, account with you, and debit our above mentioned account and close it.

Yours sincerely,

(S. M. H. Rizvi)

Dec 01, 1988

1024

Capcom Futures Inc.
440, S. Lasalle St.
Suite 2301,
Chicago
Ill. 60605

10/10

Dear Sir,

Account no. 101 10258 in the name of S.M.H. Rizvi / Khalida Rizvi

kindly debit our above-mentioned account and transfer a sum of $20,000/- (Dollar Twenty thousand) only to Mr. Mohammad Zaheer account with you, under advise to us.

(Value 1/3/89.)

yours sincerely

12/16/88.

(S.M.H. RIZVI)

Exhibit III

Account 101-10205

Date	Receipt	Disbursement
11-25-87		$ 618.92
11-25-87		3,590.28
11-25-87	$ 200,000.00	
11-30-87	143,451.22	
12-11-87		2,500.00
12-15-87		6,000.00
12-15-87		64,000.00
12-16-87	50,000.00	
01-27-88	2,500.00	
01-29-88		88,725.00
02-22-88		45,000.00
02-29-88		100,000.00
03-16-88		8,020.00
03-21-88	359,798.79	
03-22-88	300,000.00	
03-25-88	2,250,000.00	
03-25-88		2,000,000.00
03-25-88		700,000.00
03-28-88	2,000,000.00	
03-28-88		2,250,000.00
04-11-88		171.87
04-13-88	249,934.50	
05-20-88		10,000.00
06-09-88		100,000.00
06-21-88		100,000.00
07-05-88		25,000.00
09-06-88		25,000.00
09-07-88	2,170,498.13	
09-07-88	122,128.45	
09-08-88		800,000.00
09-09-88		999,965.00
09-12-88		300,000.00
09-13-88		193,684.00
09-22-88	2,000,000.00	
09-23-88		25,000.00
09-23-88		1,950,000.00
10-05-88		24,718.75
Total:	$ 9,848,311.09	$ 9,821,993.82

Exhibit IV

ACCOUNT 101-10204

A.

Date	Receipt	Disbursement	Transferred To/From	Adequate Authorization
04/28/87		$ 8,520.99	101-10205	No
12/16/87	$ 29,646.00		101-10205	Yes
04/06/88		1,700.00	101-10258	No
12/08/88	20,000.00		101-10258	Yes
01/03/89	20,000.00		101-10258	Yes

B.

Date	Receipt	Disbursement
10/29/87	$ 40,000.00	
10/29/87	1,964,107.77	
10/29/87	60,000.00	
10/29/87		$ 2,000,000.00
10/30/87	2,732,434.12	
10/30/87		2,800,000.00
10/30/87	50,000.00	
10/30/87	2,000.00	
Total:	$ 4,848,541.89	$ 4,800,000.00

Exhibit V

CAPCOM

440 South LaSalle Street
23rd Floor
Chicago, Illinois 60605

Telephone 312/663-7650
Telex 4979041/CAPCOMM
Facsimile 312/663-7666

September 19, 1988

CONFIDENTIAL

Mr. Javed Ahmed Razzaqui
68 Wayside Lane
Scarsdale, New York 10583

RE: Account No. 10254

Dear Mr. Razzaqui:

As per our discussion over the phone, we confirm the following arrangement regarding above account:

1. Account 10254 shows a debit balance of $145,575.56 and you will try to adjust this debit balance as soon as possible.

2. Meantime, we have opened another account - No. 10264 to allow you trading on fully margined basis.

3. At any time we are authorized to offset account 10264 against debit balance of 10254.

Kindly sign the duplicate of this letter as your acceptance to this agreement.

Sincerely,

Mohammad Saghir
President

MS:ed

encl.

Exhibit XII 1/2

MOHAMMAD SAGHIR
PRESIDENT

CAPCOM

10255

CAPCOM FUTURES, INC.

January 18, 1988

Mr. Karim R. Faridi
Mr. Khalil A. Zobairi
15/1 Jabbar Plaza
Saddar, Karachi
Pakistan

RE: TRADING FUND

Dear Mr. Faridi and Mr. Zobairi:

I am pleased to inform you that the net asset value of your investment at December 31, 1987 was $32,233.98.

Details are as follows:

Date	Particulars	Debit	Credit	Balance
4-10-87	Funds Received		$20,000.00	$20,000.00
6-30-87	Earnings (12%)		540.00	20,540.00
9-30-87	Earnings (14%)		734.88	21,274.88
10-05-87	Funds Received		10,000.00	31,274.88
12-31-87	Earnings (12%)		959.10	32,233.98

Sincerely,

M.S.

Mohammad Saghir
President

MS:ed

440 South LaSalle Street • 23rd Floor • Chicago, Illinois 60605 • Telephone: 312/663-7550 • Telex: 4978041/CAPCOMM

Exhibit VII-a,

MOHAMMAD SAGHIR
PRESIDENT

CAPCOM

CAPCOM FUTURES, INC.

10256

January 18, 1988

Mr. Khalil A. Zobairi
Mrs. Tazeen Khalil Zobairi
46/1 15th Street, Phase V
Off Khayaban E-Mujahid
Defense Housing Authority
Karachi, Pakistan

RE: TRADING FUND

Dear Mr. Zobairi and Mrs. Zobairi:

I am pleased to inform you that the net asset value of your investment at December 31, 1987 was $53,213.99.

Details are as follows:

Date	Particulars	Debit	Credit	Balance
4-10-87	Funds Received		$20,000.00	$20,000.00
6-30-87	Earnings (12%)		540.00	20,540.00
8-31-87	Earnings (14%)		495.24	21,035.24
9-01-87	Funds Received		30,000.00	51,035.24
9-30-87	Earnings (14%)		595.41	51,630.65
12-31-87	Earnings (12%)		1,583.34	53,213.99

Sincerely,

Mohammad Saghir
President

MS:ed

440 South LaSalle Street • 22nd Floor • Chicago, Illinois 60605 • Telephone: 312/663-7650 • Telex: 467804 I/CAPCOMM

DRAFT RESPONSES OF CAPCOM FUTURES, INC.

A. (1) When a customer requests the transfer of funds from their account, we do not know why the customer is seeking to transfer their funds. Accordingly, we could only speculate as to the purpose of each of the transfers referred to in this question.

(2) There was no particular employee responsible for authorizing the transfers in the accounts to which you refer.

(3) As a general matter, oral instructions were received from customers, followed by some form of written confirmation. It is apparent that in some instances, the files do not show receipt of a written confirmation.

(4) These trades occurred in our first year of operation, when our understanding of the rules was not as clear as it should have been. At that time, we had engaged an in-house attorney who did not suggest that there was any irregularity in the transaction. Moreover, we also were paying a well respected FCM approximately $60,000 per annum as a management fee, and they also raised no concerns.

(5) We did not realize that the transactions were unusual and accordingly took no special action.

B. (1) We cannot speculate as to the motivations underlying the transactions in the customer's account.

(2) Mr. Mohammad Saghir was responsible for the account.

(3) The account was not subject to unusual scrutiny or monitoring. Mr. Akbar told us that he intended to use the account for trading, and given his activity in the market, we anticipated significant trading volume.

(4) We cannot speculate as to the nature of the actual relationship between Mr. Bilgrami and IXORA. Telephone authorization was obtained and was to be followed by written confirmation.

(5) In September, 1988, $1.95 million was wired to CAPCOM-U.K. from the IXORA account. We can neither explain nor adopt Mr. Akbar's version of this event, nor can we speculate as to why he decided to wire funds from a particular account.

The first three transfers contained in Exhibit IV were conducted pursuant to customer instructions for reasons known only to them. We cannot speculate as to their motives. The two $20,000 payments were partial repayment of a $50,000 loan between Mr. Rizui and Mr. Zaheer. Responsibility for the accounts and transactions were that of Mr. Saghir, who was aware of the loan and understood there to be no irregularity in those transactions. The customers had provided telephone authorization, and in at least one case, there appears to be written confirmation (see your Exhibit II 1/10).

D. The occupation of Mr. Zaheer was that of a self-employed auto dealer with a dealership in Karachi, Pakistan.

E. Mr. Saghir was responsible for this account, however, the account was not subjected to any unusual scrutiny or monitoring. The transactions were not understood to be unusual or irregular.

F. Mr. Razzaqui had promised to repay his debt expeditiously and we allowed him to trade as an accommodation. Mr. Razzaqui had told us that he was arranging for the sale of his house in New York for approximately $650,000 and could thereby repay any debit that he had accumulated.

G. Mr. Razzaqui is a banker located in New York.

H. The heading of "trading fund" on the letter dated January 18, 1988 does not refer to a separate fund or account. Rather, the accounts were opened by two bankers personally known by Mr. Saghir for purposes of beginning trading accounts. Accordingly, there are no records or documents to be submitted regarding a "Trading Fund."

I. Mr. Zobari presented himself as a bank manager in Karachi, Pakistan. We are unaware of Mrs. Zobari having an occupation outside the home.

J. The loans described here were intercompany transactions supported by documentation that we are attaching herewith.

K. (1) We have been in frequent contact with Mr. Rizui in attempts to collect the debit. The efforts are continuing to date.

(2) It is our understanding upon information and belief that Mr. Rizui personally borrowed $50,000 from Mr. Zaheer, which was remitted from his CAPCOM-U.K. account.

L. We are attaching a list in response to this question.

M. Mr. Saghir paid $250,000 to CAPCOM FINANCIAL SERVICES LTD. LONDON and $225,000 to Mr. Raziuddin Akbar as repayments of loans.

ANSWER TO QUESTION 1

CAPCOM FUTURES, INC.
List of Shareholders
as of June 29, 1987

	% of Shareholding	Amount of Shareholding	Financial Arrangement
Capcom Financial Services Ltd.	82	$4,100,000.00	-
Mohammad Saghir	9	450,000.00	1. $225,000.00 (From M. Saheer) 2. $225,000.00 (From R. Akbar)
Zask Trading & Investments Co. Ltd.	9	450,000.00	-
	100	$5,000,000.00	

As of June 30, 1987

			Loans From CAPCOM-U.K.*
Larry E. Romrell	16	$ 400,000.00	$ 400,000.00*
Bob Magness	4	100,000.00	100,000.00*
Sushma Puri	10	250,000.00	250,000.00*
Robert E. Powell	10	250,000.00	250,000.00*
Mohammad Saghir	19	475,000.00	250,000.00*
Z. Akbar	28	700,000.00	700,000.00*
Zask Trading & Investment Co. Ltd.	9	225,000.00	-
Capcom Financial Services Ltd.	4	100,000.00	-
	100	$2,500,000.00	$1,950,000.00



RECEIVED
1989 JUL 26 P 3:36
CHICAGO MERCANTILE EXCHANGE
MEMBERSHIP DEPARTMENT

July 26, 1989

Ms. Catherine J. Carter
Manager, Membership Department
Chicago Mercantile Exchange
30 South Wacker Drive
Chicago, Illinois 60606

Dear Ms. Carter:

I refer to your inquiry of July 20, 1989 concerning Mohammad Zaheer of Karachi, Pakistan and his relationship to Mohammad Saghir of CAPCOM FUTURES, INC.

Investigation in Karachi, Pakistan by an INTERPASS associate has verified that Mohammad Zaheer is the younger brother of Mohammad Saghir.

Mr. Zaheer does in fact reside at the address that you provided, B, 296, Block 6, Gulshare IQBAL, Karachi, Pakistan; however, the telephone number of 46 27 13 is assigned to his aunt who lives next door.

Mr. Zaheer is presently working in Karachi, Pakistan at a motor workshop/service station, phone number of 42 60 59. Mr. Zaheer's position at this workshop/service station is described as "not very high".

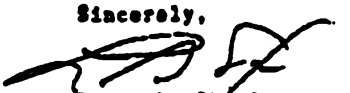
Investigation in London, England has disclosed that the address you provided as Mr. Zaheer's mailing address, 135 Station Road, London NW4, is presently occupied by Misanur Rahman and Ajraza Miza. It appears that these individuals are related to Mr. Zaheer and Mr. Saghir.

Washington Office • Suite 700, 1655 N. Fort Myer Drive, Arlington, VA 22209 • (703) 524-5888

Mr. Zaheer does not appear on any official documents concerning CAPCOM that could be located in London, England.

If you have any questions or desire further investigation, please contact me at 703/524-5888. Thank You!

Sincerely,



Larry B. Sheafe
Managing Director
Washington Office



CHICAGO MERCANTILE EXCHANGE

CASE NO.: 89-CH-8917

CLEARING MEMBER: Capcom Futures, Inc. ("Capcom")

ALLEGED RULE VIOLATION:

432. MAJOR OFFENSES. (Four counts) -- It shall be a major offense:

c. for a ... clearing member to permit the [mis]use of its facilities..."

433. MINOR OFFENSES. (Two counts) -- It shall be a minor offense:

b. to be guilty of uncommercial conduct.

827. MARGINS OF CUSTOMERS.-

C. Clearing members shall not accept orders for new trades from a customer unless the minimum initial margin for the new trades is on deposit or is forthcoming within a reasonable time...

853. TRANSFERS OF TRADES.- Subject to the approval of the President:

A. Existing trades may be transferred on the books of a clearing member provided:

2. The change merely constitutes a transfer from one account title to another account when ownership in said accounts remains the same.

FINDINGS: On October 10, 1989, pursuant to an offer of settlement in which Capcom neither admitted nor denied violating Exchange rules, the Clearing House Finance Sub-Committee ("Committee") found that:

1. From approximately April 1987 through October 1988, Capcom failed to adequately obtain and maintain documentation or information to support: certain transactions between Capcom and individuals or entities directly or indirectly controlled by shareholders of Capcom; and certain transfers of funds in accounts held by individuals or entities directly or indirectly controlled by shareholders of Capcom. The Committee found that in so doing, Capcom committed major violations of Exchange Rule 432.c. and minor violations of Rule 433.b.

2. On October 6, 1988, a Capcom customer account had a debit balance. On the same date, Capcom accepted trades from the same customer in a separate trading account. The Committee found that in so doing, Capcom violated Exchange Rule 827.C., a minor offense.

3. On April 27, 1987, Capcom transferred nine (9) positions into a particular Capcom customer account from other, unaffiliated Capcom customer accounts. The Committee found that in so doing, Capcom violated Exchange Rule 853.A.2., a minor offense.

PENALTY: In accordance with the settlement offer, Capcom Futures, Inc. agreed to a fine of $500,000 and the Committee agreed to accept Capcom's withdrawal from Exchange clearing membership.

EFFECTIVE DATE: October 18, 1989

Chicago Board of Trade

HAND DELIVERED

April 24, 1987

Mr. Mohammad Saghir
CapCom Futures, Inc.
440 South LaSalle Street
23rd Floor
Chicago, IL 60605

RE: 87-FIN-48

Dear Mr. Saghir:

Enclosed are the findings of the Office of Investigations and Audits' recent examination of your firm. The report will be submitted to the Business Conduct Committee for their review. The Committee wishes you to acknowledge receipt of this letter and reply to the findings in the report. A written reply should be made to me no later than ten business days after the date of this letter. The reply will be forwarded to the Committee with OIA's report.

Sincerely,

Yvonne J. Downs
Administrator
Office of Investigations
and Audits

DAS/cls

Enclosure

cc: Mr. Lawrence A. Herst

LaSalle at Jackson
Chicago Illinois 60604
312 435 3500

Chicago Board of Trade

Office of Investigations and Audits

CONFIDENTIAL REPORT

OIA Reference No.: 87-FIN-48
Date Report Completed: March 26, 1987

Prepared By: Laurie Kozan
Dana A. Shadrick

Approved By: Yvonne J. Downs

Subject Matter: CapCom Futures, Inc./CapCom Financial Services Limited

On Thursday, January 22, 1987, OIA examiners commenced a review of Capcom Futures, Inc. and its parent Capcom Financial Services LTD. (Capcom London). The purpose of the review was to determine the nature of Capcom Futures and Capcom London's business, and to review the firms trades to verify their classifications as hedge positions. OIA reviewed the firm's customer and non-customer accounts noting the following:

1. OIA reviewed customer orders, customer account documentation, segregation statements, EFP's and flow of future transactions noting following:

   a. OIA reviewed two (100%) customer account files noting appropriate documentation appeared to be properly signed and dated in accordance with CBOT Rules and Regulations.

   b. Thirteen customer order tickets were reviewed noting 100% appeared to contain only one time stamp. OIA brought the matter to the firm's attention and orders now appear to be time stamped upon receipt and fill. All trades appeared to flow through the floor order tickets, trade registers and customer account statements.

LaSalle at Jackson
Chicago, Illinois 60604
312 435 3500

c. Segregation statements from 12/23/86 thru 12/31/86 appear to be properly completed. Firm's excess segregated funds from 12/23/86 through 12/30/86 appeared to be low. OIA proved balances on 12/24/86 and 12/29/86 noting they appear to be correct. On 12/31/86 the firm deposited an additional $50,000 in order to insure the firm maintained excess segregated funds.

2. OIA reviewed Capcom Futures only non customer account Capcom London. All (100%) of the T-bond Transactions in this account on December 23, 26, and 31, 1986, were reviewed in order to verify their classification as a hedge. In addition to the above transactions, OIA reviewed 100% of the EFP Trades for the month of December. OIA noted the following:

a. OIA traced each open futures position from the trade register to the corresponding floor order tickets noting 33.33% had only one time stamp. The firm was informed of the proper procedures.

b. OIA traced all T-bond trades and EFP's from the trade register to the corresponding customer statements for the customers of Capcom London. OIA noted the following:

1. For each trade or group of trades executed at the CBOT there was a corresponding trade or group of trades reflected on the customer accounts statement. In every case the trade price on the trade register agreed with the trade price on the customer statement. In all cases, except for two EFP trades, the trade dates agreed. The firm indicated that two trades are being executed almost simultaneously, one between the customer and the firm, and one at the CBOT. The trade on the CBOT is executed to hedge the position the firm is taking with its customer.

2. All customer statements reviewed appeared to have foreign addresses.

3. The firm indicated its customers are predominately banks, financial institutions and corporations with only a few individual accounts. The majority of accounts are using the market to hedge exposure, however, some carry outright positions.

4. OIA reviewed Capcom London's specifications on the T-bond Futures Contracts it sells to its customers. The contract specifications appear to be identical to those of the CBOT T-bond contract.

c. OIA also traced the cash side of the EFP transactions to their trade confirmation statements. For the month of December, Capcom London executed eight EFP transactions, all of which were done with Refco Inc. The cash side of all EFP transactions was executed with M. G. Partners, an affiliate of Refco Inc. Capcom London indicated that EFP transactions are utilized for the purpose of executing a trade when the markets in Chicago are closed. A typical EFP transaction for Capcom is outlined below:

1. On December 3, 1986 Capcom London receives an order from a foreign customer for (5) short T-bond contracts. The markets in Chicago are not open, therefore, Capcom London contacts Refco in New York to obtain a futures contract which can be used to hedge the new position with its customer.

2. Capcom London sells $500,000 7.5% T-bonds to M. G. Partners, Inc. at 102.15.

3. Refco and Capcom London execute a EFP transaction where Capcom London buys from M. G. Partners, Inc. $500,000 7.5% T-bonds at 102.15. Refco then, through the EFP, transfers (5) short T-bond contracts to Capcom London at a price of 100.12. The transfer completes the EFP transaction.

4. Capcom London enters into (5) short futures contracts with its customers at a price of 100.12.

The two cash trades between M. G. Partners and Capcom London net to zero at the end of trading on 12/3/86 and don't appear on M. G. Partners' Daily cash Ledger. Capcom London's cash account statement at M. G. Partners reflects each cash trade and a zero balance for the month of December.

Seven of the eight EFP trades reviewed were similar to the one outlined above. Capcom London executed the cash transaction first and then the EFP transaction which result in the firm acquiring a short futures position. In one case, however, Capcom executed a EFP which resulted in Capcom receiving a long futures position. In this case the EFP was executed prior to the cash transaction which sets up the EFP. In an EFP transaction one of the cash transactions is always associated with the EFP transaction. The transaction order was determined by the order number on the cash confirmation tickets. The transaction is outlined below:

1. On December 4, 1986 Capcom London received an order from a foreign customer for (1) long T-bond contract. The markets in Chicago were not open, therefore, Capcom contacted Refco in New York to obtain a futures contract which could be used to hedge the position the firm is taking with its customer.

2. Capcom sold a $100,000 7.5% T-bond to M. G. Partners for 102 45/128. As part of the EFP transaction, Refco transferred (1) long futures position to Capcom London at a price of 100 7/32. The transfer completed the EFP transaction. However, Capcom was still short a cash position.

3. Capcom bought a $100,000 7 1/2% T-bond for 102 45/128 from M. G. Partners.

4. Capcom London entered into a long futures contract with its customer at a price of 100 7/32.

The result of the above transaction is the transfer of a long futures position from Refco to Capcom London. This transaction is similar to the one outlined before, however, in this case the EFP was executed prior to the cash transaction.

RELEVANT RULE AND REGULATIONS

310.00 Time and Place for Trading - Dealings upon the Exchange shall be limited to the hours during which the Exchange is open for the transaction of business, and no member shall make any transaction in securities with another member except at the post designated for the particular security in which the transaction is made and no member shall make any transaction for future delivery of a commodity except in the pit assigned to trading in such commodity, except as provided in Regulations 444.01 and 444.03. No member shall make, in the rooms of the Association, a transaction with a non-member, in any commodity or in any security admitted to dealing on the Exchange; but this Regulation shall not apply to transactions with an employee of the Association of the Clearing House engaged in carrying out arrangements approved by the Board to facilitate the borrowing and lending of money.

332.00 Order Must Be Executed in the Public Market - All orders received by any member of this Association, firm or corporation, doing business on Change, to buy or sell for future delivery any of the commodities dealt in upon the Floor of the Exchange (except when in exchange for cash property) must be executed competitively by open outcry in the open market in the Exchange Hall during the hours of regular trading and under no circumstances shall any member, firm or corporation assume to have executed any of such orders or any portion thereof by acting as agent for both buyer and seller either directly or indirectly, in their own name or that of an employee, broker or other member of the Association; provided, that on transactions where brokers as agents for other members meet in the execution of orders in the open market and without prearrangement unintentionally consummate a contract for the one and same clearing member principal, such transactions shall not be considered in violation of this rule.

332.01 Open Market Execution Requirement - All futures transactions resulting in change of ownership (except those involving the exchange of futures in cash transactions) must be made in the open market in the manner prescribed by Rules 332.00 and 310.00.

350.05 Floor Practices - The following acts are detrimental to the welfare of the Association:

(e) for a member to take, directly or indirectly, the other side of any order of another person revealed to him by reason of his relationship to such other person, except with such other person's prior consent and in conformity with Exchange rules;

(f) for a member to make any purchase or sale which has been pre-arranged;

(h) for a member to execute any order after the closing bell is sounded except in a call market close;

(i) for a member to buy and sell as an accomodation at any time or to use one order to fill another order, or any part thereof.

444.01 Transfer Trades - Transfer trades, or office trades, are defined and limited to trades made upon the books of a commission merchant for the purposes of: (a) transferring existing trades from one account to another within the same office where no change in ownership is involved; or, (b) transferring existing trades from the office of one commission merchant to the office of another commission merchant where no change in ownership is involved, provided that no such transfer may be made for the purpose of evading and avoiding delivery on such trades and provided further that if such transfer is made after receipt from the Clearing House of a notice of intention to deliver applicable to such trades, then the notice of intention to deliver must be passed through the Clearing House along with the trades so transferred and the Clearing House shall thereupon pass the notice of intention to deliver to the commission merchant to whom such transfer has been made and delivery shall be taken by such commission merchant; or, (c) exchanging futures for cash commodities or in connection with cash commodities transactions; or (d) to establish the prices of of cash commodities.

Exchange of futures in connection with cash commodity transactions of futures for cash commodities may be made at such prices as are mutually agreed upon by the two parties to the transaction.

All transfer trades made between the offices of two commission merchants and all office trades made in connection with cash commodity transactions or the exchange of futures for cash commodities shall be designated by proper symbol as transfer or office trades and must be cleared through trades and must be cleared through the Clearing House in the regular manner.

Transfer trades must be made at the same price or prices which appear on the books of the transferring commission merchant, and the transfer must also show the date when such trade or trades were originally made; provided, however, that those transfers involving a debtor as defined by and in accordance with Regulation 272.02 shall retain the original trade date for purposes of delivery but shall be entered on the books of the transferred at the settlement price on the day of the transfer. In addition, each party to transfer trade transactions shall file with the Clearing House a memorandum stating the nature of the transaction, whether the transaction has resulted in a change of ownership, the kind and quantity of cash commodity, if any is involved, the kind, quantity and price of the commodity future, the name of the opposite Clearing member if any, and such other information as the Clearing House may require.

509.00 Other Offenses - It shall be an offense against the Association to:

(b) Trade systematically against the orders or position of his customer.

1007.01 Hours for Trading - The hours of trading for future delivery in U.S. Treasury Bonds shall be determined by the Board. On the last day of trading in an expiring future, the closing time for such future shall be 12:00 noon subject to the provision of the second paragraph of Rule 1007.02. The markets shall be opened and closed for all months simultaneously, or in such other manner as the Board shall direct.

510.00 Bucket Shop—No member shall be directly or indirectly interested in or associated in business with, or have his office directly or indirectly connected by public or private wire or other method or contrivance with, or transact any business directly or indirectly with or for

(a) Any bucket shop; or

(b) Any organization, firm, or individual making a practice of dealing on differences in market quotations; or

(c) Any organization, firm, or individual engaged in purchasing or selling commodities or securities for customers and making a practice of taking the side of the market opposite to the side taken by customers. 152

485.01 Records of Customers' Orders — Immediately upon receipt in the sales office of a customer order each member, registered partnership or registered corporation shall prepare a written record of the order. It shall be dated and time-stamped when the order is received and shall show the account designation. The order shall also be time-stamped when it is transmitted to the Floor of the Exchange and when its execution, or the fact that it is unable to be executed, is reported from the Floor of the Exchange to the sales office.

Immediately upon receipt on the Floor of the Exchange of a customer order, each member, registered partnership, or registered corporation shall prepare a written record of the order. It shall be dated and time-stamped when the order is received on the Floor and shall show the account designation. The order shall also be time-stamped.

(a) when it is transmitted to the floor broker if it is not transmitted immediately after it is received on the Floor, and

(b) if the written order is transmitted to the floor broker, when the order is received back from the floor broker, or

(c) if the order is transmitted to the floor broker verbally or by hand signals, when a report of its execution, or the fact that it is unable to be executed, is received from the floor broker.

All time-stamps required by the regulation shall show the time to the nearest minute.

At the beginning of each trading day, each clearing member must ensure that each time clock used on the trading floor by that clearing member is synchronized with the time displayed by the master clock on the Exchange Floor.

Applicable Firm Ownership

I. CapCom Financial Services Limited

Directors	Address	Interest in Firm
L.E. Romrell	Englewood, Colorado	11%
A.R.H. Khalil	St. Andrew St., London	20%
A.K. Puri	St. Andrew St., London	15%
B. Magness	Englewood, Colorado	1%
J.J. Uddin	St. Andrew St., London	--
J.C.F. Parry	St. Andrew St., London	--

Stockholders or Limited Partners (> 5% Interest)	Address	Interest in Firm
S.K.I. Adham	St. Andrew St., London	17%
E.E. Eljawhary	St. Andrew St., London	15%
R.E. Powell	St. Andrew St., London	15%
Grosella S.A.	St. Andrew St., London	5%

II. CapCom Futures, Inc.

General Partners	Responsibilities	Address	Interest
Larry E. Romrell	Chairman, CEO	Englewood, Colorado	--
Mohammad Saghir	President	Chicago, Illinois	9%
Ajay K. Puri	Treasurer, Secretary	St. Andrew St., London	--

Stockholders or Limited Partners (> 5% Interest)	Address	Interest
CapCom Financial Services, Ltd.	St. Andrew St., London	82%
Zask Trading and Investment, Ltd.	St. Andrew St., London	9%
Mohammad Saghir	Chicago, Illinois	9%

Chicago Board of Trade

Office of Investigations and Audits

CONFIDENTIAL REPORT

OIA Reference No.: Supplement to 87-FIN-48 (2B)
Date Report Completed: April 22, 1987

Prepared By: _____ Laurie Kozan
_____ Dana A. Shadrick

Approved By: _____ Yvonne J. Downs

Subject Matter: CapCom Futures, Inc./CapCom Financial Services, Limited

As indicated in the report dated March 26, 1987 concerning CapCom Futures, Inc. and its parent CapCom Financial Services, Ltd. (CapCom London), OIA reviewed, in addition to the EFP transactions all (100%) of the T-Bond trades on December 23, 26 and 31, 1986 for CapCom (London) by CapCom (USA). OIA noted the following:

1. The flow of a T-Bond transaction appears to be as follows:

   a. A foreign customer contacts CapCom (London) desiring to buy ten T-Bond contracts. (See step one below).

   b. CapCom (London) then calls CapCom (USA) in order to execute a trade for the CapCom (London) proprietary account, which will be used to "hedge" a position taken with a customer. CapCom (London) buys ten CBT T-Bond contracts at a price of 98.10. (See step two below).

LaSalle at Jackson
Chicago, Illinois 60604
312 435 3500

c. At approximately the same time, CapCom (London) contacts the customer and executes a trade with the customer at the same price as the price received on the Chicago contracts. CapCom (London) sells to the customer ten long contracts at a price of 98.10. (See step 3 below).

	CapCom (London)		Foreign Customer	
Step 1			Request for 10 long T-Bond Contracts	
Step 2	10 CBOT T-Bonds @ 98.10			
Step 3		10 T-Bonds @ 98.10	10 T-Bonds @ 98.10	

2. Confirmation statements sent to the London customer indentify the T-Bond trades as "C.B.O.T. Treasury Bonds".

RELEVANT RULES AND REGULATIONS

501.00 **Fictitious Transactions** — It shall be an offense against the Association to create fictitious transactions or to give an order for the purchase or sale of futures or options the execution of which would involve no change in ownership, or to execute such an order with knowledge of its character. *142*

FILED

NATIONAL FUTURES ASSOCIATION
BEFORE THE
CENTRAL REGIONAL BUSINESS CONDUCT COMMITTEE

In the Matter of:	)	
	)	
CAPCOM FUTURES, INC.	)	
(NFA ID #183570)	)	NFA Case No. 90-BCC-029
	)	
Respondent.	)	

COMPLAINT

Having reviewed an investigative report submitted by the Compliance Department of National Futures Association ("NFA") and having reason to believe that NFA Requirements are being, have been or are about to be violated and that the matter should be adjudicated, NFA's Central Regional Business Conduct Committee ("Committee") issues this Complaint against Capcom Futures, Inc. ("Capcom").

ALLEGATIONS

COUNT I

VIOLATION OF NFA COMPLIANCE RULE 2-4: FAILURE TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.

1. At all times relevant to this Complaint, Capcom was a futures commission merchant ("FCM") Member of NFA. As such, Capcom was and is required to comply with the Bylaws, Compliance Rules and Financial Requirements of NFA ("NFA Requirements") and is subject to disciplinary proceedings for violations of NFA Requirements.

2. At all times relevant to this Complaint, George Tzakis was an associated person sponsored by Capcom in accordance with Commodity Futures Trading Commission ("CFTC") Regulation 3.12 and registered as an Associate of an NFA Member in accordance with NFA Bylaw 301(b). Capcom is liable for violations of NFA Requirements committed by Tzakis in the course of his employment with Capcom.

3. NFA Compliance Rule 2-4 requires Members and Associates to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their commodity futures business.

4. On or about November 1, 1989, Tzakis, acting as an agent of Capcom, falsely represented to First International Mercantile Bank Ltd. ("FIMB") that its Capcom account was profitable.

5. Tzakis, acting as an agent of Capcom, used money sent to Capcom by FIMB for the purpose of opening a second account at Capcom to cover a debit balance in an existing account without the authority or knowledge of FIMB.

6. Tzakis, acting as an agent of Capcom, placed three trades in the account of Paul Moller ("Moller"), during December 1989 and January 1990 without Moller's authority to do so.

7. By reason of the foregoing acts and omissions, Capcom is charged with violations of NFA Compliance Rule 2-4.

COUNT II

VIOLATION OF NFA FINANCIAL REQUIREMENTS SECTION A8-a: FAILURE TO MAINTAIN REQUIRED MARGIN.

8. The allegations set forth in paragraph 1 are realleged as paragraph 8.

9. NFA Financial Requirements Section A8-a requires, in part, every Member FCM that is not a member of a contract market to collect performance margin for all customer accounts at a level no less than that established for customer accounts by the rules of the applicable contract market.

10. On July 11, 1989 Capcom failed to collect performance margin for the account of Ambros Holdings SA ("Ambros") at the level established for customer accounts by the rules of the applicable contract market, in that Capcom transferred cash from the account to Ambros causing the account to be under required margin levels.

11. By reason of the foregoing acts and omissions, Capcom is charged with violation of NFA Financial Requirements Section A-8a.

COUNT III

VIOLATION OF NFA COMPLIANCE RULE 2-9: FAILURE TO SUPERVISE.

12.-13 The allegation set forth in paragraphs 1 and 2 are realleged as paragraphs 12 and 13.

14. NFA Compliance Rule 2-9 requires each Member to diligently supervise its employees and agents in the conduct of their commodity futures activities for or on behalf of the Member.

15. The allegations set forth in paragraph 3 through 7 are realleged and incorporated herein by reference.

16. Capcom failed to diligently supervise Tzakis in the conduct of his commodity futures activities for or on behalf of Capcom.

17. The allegations set forth in paragraphs 9 through 11 above are realleged and incorporated herein by reference.

18. Capcom failed to diligently supervise its employees and agents in the monitoring of margin levels in the Ambros account.

19. By reason of the foregoing acts and omissions, Capcom is charged with violations of NFA Compliance Rule 2-9.

PROCEDURAL REQUIREMENTS

1. This Complaint is issued pursuant to NFA Compliance Rule 3-2, and all further actions and proceedings

conducted as a result of or in connection with the issuance of this Complaint shall be governed by the provisions of NFA Compliance Rules, which include the following specific provisions:

a. The Respondent is entitled to file an Answer to this Complaint ("Answer");

b. The Respondent is entitled to a hearing in this matter if the Respondent so requests in its Answer;

c. The Answer must be in writing and filed with the Central Regional Business Conduct Committee within 30 days from the date of this Complaint;

d. The Answer shall respond to each applicable allegation in the Complaint by admitting, denying, or averring that Respondent lacks sufficient knowledge or information to admit or deny the allegations; and

e. An averment of insufficient knowledge or information in an Answer may be made only after a diligent effort has been made to ascertain the relevant facts, and shall be deemed to be a denial of the pertinent allegation.

2. NFA staff is hereby authorized to grant such reasonable extensions of time in which an Answer may be filed as it deems appropriate.

3. The Respondent's failure to file a timely Answer shall be deemed an admission of the facts and legal conclusions contained in the Complaint, and shall also be deemed a waiver of the Respondent's right to a hearing.

4. The Respondent's failure to expressly respond to any allegation shall be deemed an admission of that allegation.

5. The Respondent's failure to request a hearing in the Answer shall, unless good cause is shown, be deemed a waiver of the Respondent's right to a hearing.

6. The place for filing an Answer to the Central Regional Business Conduct Committee shall be:

National Futures Association
200 West Madison Street, Suite 1600
Chicago, Illinois 60606-3447
Attn: Legal Department -- Docketing

7. The allegations in this Complaint may constitute a statutory disqualification to registration under Section 8a(3)(M) of the Commodity Exchange Act. Respondents in this matter who apply for registration in any new capacity, including as an associated person with a new sponsor, may be denied registration based on the pendency of this proceeding.

8. At the conclusion of the proceedings conducted as a result of or in connection with the issuance of this Complaint, the Committee may impose one or more of the following penalties:

a. expulsion or suspension for a specified period from NFA Membership;

b. bar or suspension for a specified period from association with an NFA Member;

c. censure or reprimand;

d. a monetary fine not to exceed $250,000 for each violation found; and

e. an order to cease and desist or any other fitting penalty or medial action not inconsistent with these penalties.

NATIONAL FUTURES ASSOCIATION
CENTRAL REGIONAL BUSINESS
CONDUCT COMMITTEE

Dated: October 19, 1990 By: Robert A. Krukowski

Philip M. Raleigh, Esq.
National Futures Association
200 West Madison Street
Suite 1600
Chicago, Illinois 60606-3447
(312) 781-1405

PMR:jac(Com\Capcom.PMR)

AFFIDAVIT OF SERVICE

I, Sharlean E. Brooks, on oath state that on October 19, 1990, I served copies of the attached Complaint and Decision by placing such copies in the United States Mail, postage prepaid, certified mail, return receipt requested, in envelopes addressed as follows:

Jean Webb, Secretariat
Commodity Futures Trading Commission
2033 K Street, N.W.
Washington, D.C. 20581

Paul Bjarnason
Division of Trading and Markets
Commodity Futures Trading Commission
2033 K Street, N.W.
Washington, D.C. 20581

Capcom Futures, Inc.
Mohammad Saghir
440 South LaSalle Street
23rd Floor
Chicago, IL 60605

Arthur W. Hahn, Esq.
Katten Muchin & Zavis
525 West Monroe Street
Suite 1600
Chicago, IL 60606

Sharlean E. Brooks

Subscribed and sworn before me on this 19 day of October, 1990.

Notary Public

:jj(aff:126)

OFFICIAL SEAL
CARMEN M. CUELLAR
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 6/19/91

CHICAGO MERCANTILE EXCHANGE

Kevin P. Holland
Vice President
Audit Department
312/930-3221

REGISTERED MAIL

August 18, 1989

Mr. Mohammad Saghir
President
Capcom Futures, Inc.
440 South LaSalle Street
23rd Floor
Chicago, IL 60605

RE: 89-CH-8911
NOTICE OF CHARGES

Dear Mr. Saghir:

On August 15, 1989, the Chicago Mercantile Exchange Clearing House Finance Sub-Committee ("Committee") reviewed the staff report concerning the activities of Capcom Futures, Inc. (Capcom-U.S.), from January, 1986, through May, 1989. Upon consideration of the report, the Committee determined that there was a reasonable basis to charge Capcom-U.S. with violations of Exchange Rules 432.b. ("Act of bad faith"), 432.o. ("Permitting the misuse of facilities"), 432.q. ("Detrimental act"), 433.b. ("Uncommercial conduct"), 827.C. ("Accepting new trades when account undermargined"), 853.A.2. ("Transfers of positions with no change in ownership"), 921 ("Notification of reduction in capital in excess of 20%"), and 980 ("Compliance with financial requirements"). The matter will be referred to the appropriate disciplinary body for a hearing on the charges. The bases for the charges are explained in the enclosed investigation report.

Capcom-U.S. may, if it wishes, submit a written answer to the charges within ten (10) days of receipt of this notice, which time may be extended upon good cause shown. If Capcom-U.S. files a written answer to the charges, it must state that Capcom-U.S. admits or denies each charge included in this notice. If Capcom-U.S. is unable to obtain information necessary to enable it to admit or deny a charge, it shall be deemed to have denied the charge. Failure to file an answer shall not have the effect of an admission or denial of the charges contained in this notice.

The appropriate disciplinary body will conduct a hearing on the above charges at a future meeting, due notice of which will be

provided to you. Capcom-U.S. has the right to have representatives appear personally at the hearing and the right to be represented by an attorney or other representative other than a member of the Board of Governors, a member of the Clearing House Finance Sub-Committee, a member of the Probable Cause Committee, or an official of the Exchange.

Capcom-U.S. may waive its right to a hearing within ten (10) days of receipt of this notice of charges. If Capcom-U.S. elects to waive its right to a hearing, Capcom-U.S. will be notified, within three (3) days of the decision, of the findings and penalties, if any, to be imposed and their effective date.

If you have any questions regarding this matter, please contact me.

Sincerely,

Kevin P. Hallan

Enclosure

cc: Art Hahn

CAPITAL COMMODITY DEALERS LIMITED

A BRIEF RESUME

OF THE COMPANY AND ITS DIRECTORS

AUGUST 1984

CAPITAL COMMODITY DEALERS LIMITED

THE COMPANY

Capital Commodity Dealers Limited is a newly established Company, promoted in collaboration with a group of American and Saudi Arabian businessmen.

Our Directors and Shareholders trade regularly on various American markets in their individual capacities, in addition to the dealings of the organisations in which they have interests, and provide excellent access to a varied clientele.

The Company has already acquired a seat on the London International Financial Futures Exchange, and has established a clearing arrangement with National Westminster Financial Futures Ltd. We anticipate a fairly rapid growth in the volume of business that we are able to put through L.I.F.F.E.

Our underlying strength, however, remains the significant level of American business that has been committed to us. This business is spread over the major exchanges - Philadelphia, COMEX, CME and CBOT mainly, but also NYFE.

The Company has been initially capitalised at £1,000,000, but this will be increased as and when required. The Company's shareholders are in a position to make substantial further contributions. We have more than adequate expertise at our disposal to provide the order-processing and administrative facilities needed initially, and have already initiated the process of taking on further experienced staff so that we are in a position to increase our business volume. We have set up a fully-equipped dealing room in the City of London and are now in a position to commence operations.

CAPITAL COMMODITY DEALERS LIMITED

DIRECTORS:	Mr. Larry Romrell
	Mr. Bob Magness
	Sheikh Abdul Raouf Hasan Khalil
	Mr. Ajay Krishan Puri
CHIEF DEALER:	Mr. John Parry

CAPITAL COMMODITY DEALERS LIMITED

RESUME ON MR. LARRY ROMRELL

Name:	Larry Romrell
Address:	5823 South Kearney Street, Englewood, Colorado 80111, U. S. A.
Age:	44
Nationality:	U. S. Citizen

Current Positions Held:

Western Tele-Communications, Inc.	- Director, Executive Vice President, and Secretary
General Communication, Inc.	- Vice President
Western Satellite, Inc.	- Executive Vice President
TCI / Silver Spur Lane & Cattleco (includes; Silver Spur Ranch, Silver Spur North and Bar M Ranch)	- Vice President
Cherokee Ranch	- Vice President and Secretary
Amigo Farms, Inc.	- Secretary
Winterwood Associates	- Vice President and Secretary
Hidden Valley Ranch	- Vice President
Western Repeater	- Vice President
Fox-Romrell & Associate	- General Partner
Capital Commodity Dealers Ltd.	- Director

Education:

Electrical Engineering Degree from Idaho State University

Cont ...

Capital Commodity Dealers Ltd. - Resume on Mr. Larry Romrell - Cont ...

Employment History:

Western Telecommunication, Inc. - 1961 to Present:

1961 - Microwave Technician. Advanced to Chief Engineer and then to Division Manager.

1972 - Executive Vice President - Capacity: Corporate administration and co-ordination of Engineering, Purchasing, Construction, Marketing and Operations Divisions.

1983 - Elected Director and Executive Vice President and Secretary.

W.T.C.I. is a quoted public corporation in the Microwave Common Carrier Connumications Services area. The Company has an Annual Gross Income of U.S.$ 42 million.

Time, Inc. & Columbia Pictures - 1958-1961:

Engineer - Broadcast TV

K.B.L.I., Inc. - 1956-1958:

Engineer - TV Studio maintenance, equipment and TV transmitter maintenance.

Net Worth:

As at June 1984 this was in the region of 2.2 million U.S. dollars.

CAPITAL COMMOD.. DEALERS LIMITED

RESUME ON MR. BOB MAGNESS

Name:	Bob Magness
Address:	4175 South Holly, Englewood, Colorado 80111, U. S. A.
Age:	60
Nationality:	U.S. Citizen

Current Positions Held:

Tele-Communications, Inc. (includes the TCI/Silver Spur Ranches)	- Director and active Chairman of the Board
Western Tele-Communications, Inc.	- Director
Cherokee Ranch	- Treasurer
Amigo Farms, Inc.	- Treasurer
Hidden Valley Ranch	- President
Winterwood Associates	- Treasurer

Education:

Attended Oklahoma University

BA Degree from Oklahoma South Western State College, Weatherford

Employment History:

Tele-Communications, Inc. - 1968 to Present:

Director and active Chairman of the Board of TCI and pre-decessor companies.

TCI's consolidated revenues for year end 1983 were U.S.$ 347,267,000. TCI is a publicly held mutiple system operator with its primary activity being the cable television business in the United States with two classes of stock traded over-the-counter under the symbols TCOMA and TCOMB.

Cont ...

BRIEF RESUME OF SHEIKH ABDUL RAOUF HASAN KHALIL

Name: Sheikh Abdul Raouf Hasan Khalil

Address: P. O. Box 541, Jeddah, Saudi Arabia

Nationality: Saudi Arabian

BUSINESS:

a) Is a prominent Saudi Businessman and has been involved in trading in real estate and construction business, mainly in Saudi Arabia, U.A.E. and Oman. In 1976 became Director General of Ministry of Communications of Saudi Arabia.

b) Owner / Director of following Companies:

International Commercial & Industrial Establishment (Saudi Arabia)

Arabian Electronic Project Establishment (Saudi Arabia)

Matthew Hall (Saudi Arabia)

Global Chemical & Maintenance System (Saudi Arabia)

Razat Associates (Panama)

Has following agencies in U.S.A. and U.K.:

Rockwell International U.S.A.

Recall (London)

In addition, owns property in Saudi Arabia, Egypt, U.K. and U.S.A. with total value exceeding U.S.$ 10 million and an Islamic Museum in Jeddah worth about U.S.$ 200 million.

NET WORTH:

As at the close of 31st December, 1983, this was estimated to be U.S.$ 300 million.

Capital Commodity Dealers Limited - Resume on Mr. Bob Magness - Cont ...

Employment History (Cont ...):

Community Television, Inc. - 1964 to 1968:

President (Tele-Communications, Inc. (TCI) became the parent of Community Television, Inc. and Western Microwave, Inc. in 1968).

Western Microwave, Inc. - 1958 to 1965:

President

Community Television - 1958 to 1964:

Founder of community television - built first cable television system in Memphis, Texas, in 1956.

Anderson Clayton Co. - 1952 to 1958:

Plainview and Memphis, Texas.

Anderson Clayton Co. - 1949 to 1952:

Elk City, Oklahoma.

Personal Net Worth:

As at June 1984 this was in the region of 25 million U.S. dollars.

CURRICULUM VITAE

Name:	AJAY KRISHAN PURI
Address:	6 Derwent House, Stanhope Gardens, London SW7 5BJ
Nationality:	Indian
Age:	28 years
Marital Status:	Married

EDUCATION

B.Com.(Hons) Degree	University of Delhi, India 1975
M.B.A.:	University of Delhi, India 1977
Chartered Accountancy:	Institute of Chartered Accountants in England & Wales; Associate Member since February 1982
Professional Courses:	Have attended various short professional seminars on Management, Taxation, Accountancy, Law and Commodity Trading subjects

EXPERIENCE

a) Industry: 1976 - The Delhi Cloth & General Mills Co. Ltd.

Management Reporting and Financial Control, and the Head of the 'Unit Control' section of the Textiles Division of a major Indian industrial conglomeration. Duties included analysis of financial statements, inter firm comparisons and monitoring liquidity and working capital.

b) Professional Accountancy: 1977-1981 - Lever Brothers & Co.
Berke Cohen Fine & Co.
Benson Catt & Co.

The audit of industrial and service organisations of various types and sizes, at various levels, as part of training for Membership of the Institute of Chartered Accountants; related Accountancy and Taxation work.

Cont ...

CURRICULUM VITAE - AJAY PURI (Cont ...)

b) Professional Accountancy: 1981-1982

Post qualification experience for approximately 1½ years with a professional practice, supervising audits and providing financial consultancy advice.

c) Commodities & Financial Futures: 1983 to date - Notan Trading & Investments Ltd.

U.K. representative of this Company since 1983. This Company actively trades in the U.S. markets through London brokers. The job entails monitoring the Company's portfolio, liaising with brokers on the Company's accounts, and supervising trading in accordance with the Company's trading policy.

CAPITAL COMMODITY DEALERS LIMITED

LIST OF SHAREHOLDERS AS AT 27TH JUNE 1984

	Shares of £1 each	
Sheikh Abdul Raouf Hasan Khalil P. O. Box 541 Jeddah Saudi Arabia	200,000 Shares	20%
Sheikh Kamal Ibraham Adham P. O. Box 6126 Jeddah Saudi Arabia	170,000 Shares	17%
Mr. Elsayed E. Eljawhary P. O. Box 6126 Jeddah Saudi Arabia	150,000 Shares	15%
Mr. Robert Edward Powell 6471 Bixby Hill Road Long Beach California 90815 U. S. A.	150,000 Shares	15%
Mr. Larry E. Romrell 5823 South Kearney Street Englewood Colorado 80111 U. S. A.	110,000 Shares	11%
Mr. Christopher David Stewart Williams 10 Langton Street London SW10 0JH	100,000 Shares	10%
Grosella S.A. Bank of America Building 50th & 53rd Street Panama City Panama	50,000 Shares	5%

Cont ...

Capital Commodity Dealers Limited - Shareholders - Cont ...

	Shares at £1 each	
Mr. Ajay Krishan Puri 77 South Audley Street London W1Y 5TA	49,999 Shares	5%
Miss Jane Caroline Cooke (Nominee for Mr. A. K. Puri) 17 Station Road St. Paul's Cray Orpington Kent	1 Share	
Mr. Bob Magness 4725 South Holly Englewood Colorado 80111 U. S. A.	10,000 Shares	1%
Sheikh Hattan Rashad Pharaon P. O. Box 6474 Jeddah Saudi Arabia	10,000 Shares	1%
	1,000,000 Shares	100%

Total Issued Capital: £1,000,000

FULLY PAID UP

WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT

June 19, 1984

Mr. Ajay Puri
International Investments of Securities Ltd.
77 So. Audley Street
London W1Y 5TA UK

Dear Mr. Puri

Enclosed herewith is the executed Capital Commodity Dealers Limited Share Application for 110,000 Ordinary Shares.

Best regards,

Larry Romrell

/te
Enclosure

VIA DHL COURIER

CAPITAL COMMODITY DEALERS LIMITED

SHARE APPLICATION

Full Name of Applicant: LARRY ROSSELL

Nationality: AMERICAN Age: 44

Address: 5823 SOUTH KEARNEY

ENGLEWOOD

COLORADO 80111 (ARAPAHOE COUNTY)

U. S. A.

Number and Type of Shares Applied For: 110,000 Ordinary Shares of $1 each

Amount Paid With Application: $110,000

Amount Remaining To Be Paid As And When Called: $ NIL

Date:

APPLICANT'S SIGNATURE

OFFICE USE ONLY:

Date Approved:

DIRECTOR'S SIGNATURE

Folio in Register of Members:

01 583 0362 CAPITAL COM 85 02/13 12:23 001

FAX TRANSMISSION

For: Mr Larry Romrell

From: A. K. Puri
Capital Commodities
London

Total 4 Sheets
including this
header.

RESOLUTIONS passed by the Board of Directors of CAPITAL COMMODITY DEALERS LIMITED on 23rd August 1984.

RESOLVED that an Extraordinary General Meeting of the members of this Company be called for the 14th September 1984 to consider and pass, if considered fit, the following Resolutions:

RESOLVED that the appointment of Sheikh Abdul Raouf Hasan Khalil, Mr. Larry Romrell and Mr. Bob Magness as Directors of the Company with effect from 6th June 1984 be and hereby is ratified.

RESOLVED that the boards actions in appointing Mr. Stephen John Saunders as Director with effect from 20th June 1984, until his resignation on the 3rd August 1984 be and hereby is ratified.

APPROVED

Mr. Larry Romrell

Mr. Bob Magness

Mr. A. R. Khalil

Mr. A. K. Puri

CONSENSUS RESOLUTION of the BOARD OF DIRECTORS of CAPITAL COMMODITY DEALERS LIMITED made on 15th October, 1984.

1) The attached note was discussed by the Directors and the contents thereof noted.

2) It was RESOLVED that the Directors requisition an Extraordinary General Meeting to be held on 30th October, 1984, to consider and vote on the following ordinary resolutions.

A That the Company hereby increase its Authorised Share Capital from £1,000,000 to £15,000,000 by the creation of 14,000,000 £1 ordinary shares, to rank pari passu in all respects with existing £1 ordinary shares.

B That the Company hereby authorise the Directors to make a rights issue of 9,000,000 £1 ordinary shares to shareholders, registered in the Company's share register on 15th October, 1984, pro rata to their existing share holdings. Should such rights be renounced or not accepted within five days of the receipt of the letter of allotment, the Directors shall be authorised to offer such renounced or unaccepted shares comprised in the letter of allotment to any other shareholders or any other individuals or bodies corporate, as deem fit by the directors.

C That the Company hereby authorises the Directors to invite the shareholders to subscribe £3,000,000 of subordinated loan stock, pro rata to their holdings of ordinary shares as shown in the Company's share register on 15th October 1984. Such loan stock will rank only before share capital for purposes of distribution in the event of liquidation and, other than in the prior event of liquidation, will be repayable at par on 1st November 1989. The loan stockholders will be entitled to a fixed rate of interest of ten percent per annum payable bi-annually on 30th April and 31st October, the first payment being on 30th April 1985. It is further authorised that the Directors grant the shareholders subscribing to the afore mentioned loan stock an option to convert the loan stock into ordinary share capital on the basis of one £1 ordinary share for each £1 par value of loan stock held. The shares acquired under this option shall rank pari passu in all respects to existing share capital or their equivalent at the time of conversion. The option shall be for the conversion of the whole or any part of the loan stock and shall expire, unless previously exercised in full, on 31st October 1987. Should any shareholder not exercise his right to subscribe within five days of notification of the offer, the Directors may extend the offer to any person they deem fit.

APPROVED

A-04789

MEETING of the BOARD OF DIRECTORS of CAPITAL COMMODITY DEALERS LIMITED held at 77 South Audley Street, London W1, at 0900 Hours on June 20th 1984.

A RESOLVED that this Company enter into an agreement with National Westminster Financial Futures Limited for the clearing of its trades on the London International Financial Futures Exchange. The form of agreement provided by National Westminster Financial Futures Ltd. be and hereby is approved and Mr. A. K. Puri be and hereby is authorised to sign the agreement on behalf of the Company and to further represent the Company in all of its dealings with National Westminster Financial Futures Limited.

B RESOLVED that this Company enter into a Clearing Agreement with National Westminster Financial Futures Limited, London International Financial Futures Exchange Limited and International Commodities Clearing House Limited. The text of the agreement dated 7th June 1984 is hereby approved and Mr. A. K. Puri is hereby authorised to execute the agreement on behalf of the Company. Application of the Company's seal to this agreement is hereby authorised.

C RESOLVED that this Company open accounts with Geldermann Peavey, Inc. of Chicago, USA, and that Mr. A. K. Puri be and hereby is authorised to execute any and all documentation required to open and maintain an account in commodities with Geldermann Peavey Inc., including that certain document known as Customer Agreement, an executed copy of which is to be made a part of the minutes of this meeting.

Further resolved that Mr. A. K. Puri and / or Mr. Stephen John Saunders be and hereby are authorised to buy and sell for and in name of this corporation on the Board of Trade of the City of Chicago, as well as on any other exchange considered appropriate by any of them.

Further resolved that the secretary of this corporation, who is not authorised to trade, is hereby designated as the representative of this Corporation to whom written notice of account activity will be mailed at any of the Company's offices that he might designate. Further resolved that the Company's seal be applied to a copy of this resolution which the secretary may send to Geldermann Peavey, Inc.

D Resolved that the appointment by Sheikh Abdul Raouf Hasan Khalil of Mr. Syed Ziauddin as his alternate Director be and hereby is approved by the board.

E RESOLVED that the Board Coopt Mr. Stephen John Saunders as a Director of the Company, such appointment to be ratified by the member of the Company at their next meeting.

APPROVED

A-04790

BOB MAGNESS

LARRY ROSSELL

LOAN AGREEMENT

BETWEEN

MR LARRY E ROMRELL

AND

PATEN HOLDINGS INC.

30TH JUNE 1987

AN AGREEMENT made the 30th Day of June 1987 **BETWEEN** Paten Holdings Inc of whose address is c/o Etude de Dr Cecile M Ringgenberg, 44 bis Avenue Krieg, 1208 Geneva, Switzerland (hereinafter called "the Lender") in the one part and Mr Larry E Rozrell of 5823 South Kearney Street, Englewood, Colorado 80111, USA(hereinafter called "the Borrower") in the other part

WHEREBY IT IS AGREED as follows:

1. The Lender will lend to the Borrower the sum of STG Pounds 221,157.93 (Two Hundred and Twenty One Thousand, One Hundred and Fifty Seven Pounds, Ninety Three Pence only) (hereinafter called "the Loan") subject to the terms hereof and to the provision of security as hereinafter provided

2. The Lender agrees with the Borrower as follows:-

   (a) That the total liability of the Borrower in the repayment of the loan and all its accrued interests is strictly limited to the value of his shares in Capcom Financial Services Limited, together with all its dividends and interests. The liability of the Borrower shall extend also to all stock dividends, right shares and any property accruing or offered at any time by way of redemption bonus, preference option or otherwise.

   (b) That the Borrower shall repay the loan and all accrued interests through the proceeds of the shares or their sale if effected or otherwise at any time but no later than 31st December 1989.

   (c) In case at maturity date the loan or any part thereof has not been paid, the Lender shall have the right to sell the shares deposited with him as security, to apply the proceeds to the amounts due to him, and to pay the balance, if any to the Borrower.

(d) The Borrower shall pay interest to the Lender on such part of the loan as shall be outstanding from time to time at the rate of 1.5% above the base rate of Manufacturers Trust Company, London, such interest to be payable on the first days of January, April, July and October in each year.

(e) For the purpose of providing security to the Lender for the repayment of the loan and all interest on it, to enter into the Memorandum of Deposit in the form annexed hereto.

(f) To reimburse to the Lender all such costs that the Lender may incur in enforcing this Agreement or the Memorandum of Deposit referred to above.

3. The Agreement should be construed in accordance with the laws of England

A S W I T N E S S in the hands of the parties hereto

SIGNED on behalf of the Borrower

SIGNED on behalf of the Lender

MEMORANDUM OF DEPOSIT

1. I Mr Larry E Romrell of 5823 South Kearney Street, Englewood, Colorado 80111, USA have this 30th day of June 1987 deposited with and charged to PATEN HOLDINGS INC whose address is c/o Etude de Dr Cecile M Ringgenberg, 44 bis Avenue Krieg, 1208 Geneva, Switzerland (herinafter called "the Lender") the securities mentioned in the Schedule hereto to be retained by the Lender as a security for repayment to it of all money and liabilities now or hereafter owing or incurred to it from or by me under an Agreement dated 30th June 1987 made between the Lender and me together with interest on all such debts and liabilities to the basic payment, legal or other costs, charges and expenses

2. The charge hereby created shall effect and the security subject hereto shall include in addition to the securities mentioned in the Schedule hereto any security substituted therefore and all dividends or interests payable or paid after the date hereof and all stocks shares (and the dividends or interest thereon) rights monies or property accruing or offered at any time by way of redemption bonus preference option or otherwise to or in respect of any securities hereby charged

3. Any dividends interests or other payments which may be received or receivable by the Lender in respect of any securities hereby charged may be retained by it and held in suspense and if I shall fail to pay further secure or satisfy to the Lender on demand any money or liability hereby secured when the same shall be due they may be applied by it as though they were proceeds of the sale hereunder and the Lender may without further notice sell or dispose of the securities hereby charged or any of them in such a manner and for such consideration (whether payable or deliverable immediately or by instalments) as it may think fit and may apply the proceeds of sale in or towards this charge of the costs incurred therein and of the money and liabilities hereby secured and shall pay the residue to me or my order

4. I undertake for myself and my personal representatives from time to time to execute and sign all Transfers, Powers of Attorney and other documents which the Lender may require for vesting or enabling it to vest the same in itself or its nominees or in any purchaser

5. The Lender or its nominees may exercise at its or their discretion in my name or otherwise at any time whether before or after the power of sale hereunder has arisen and without any further consent or authority on my part in respect of any securities hereby charged any voting rights and all the powers given to trustees by Section 10(3) and (4) of the Trustee Act 1925 as amended by Section 9 of the Trustee Investments Act 1961 in respect of securities or property subject to a trust and all powers or rights which may be exercised by the person or persons in whose name or names the securities are registered under the terms thereof or otherwise

6. Without prejudice to the rights and obligations hereby created any dividends interests or other money hereby charged which may be received by me after the power of sale hereunder has arisen shall be held in trust for the Lender and paid over to it on demand

7. The Lender may at all times, without discharging or in any way affecting the security hereby created:-

(a) Grant to me or to any other person any time or indulgence

(b) Deal with exchange release modify or abstain from perfecting or enforcing any securites or other guarantees or rights which it may now or hereafter have from or against me or any other person

(c) Compound with me or with any other person or guarantor

8. The security hereby created shall not be affected by any failure by the Lender to take any security or by any invalidity of any security taken or by any existing or future Agreement by it as to the application of any advances made or to be made to me

9. Any monies received hereunder may be placed and kept to the credit of a suspense account for so long as the Lender thinks fit without any obligation in the meantime to apply the same or any part thereof in or towards discharge of any money or liabilities due or incurred by me to it. Notwithstanding any such payment, in the event of any proceedings in or analagous to bankruptcy liquidation composition or arrangement the Lender may prove for and agree to accept any dividend or composition in respect of the whole or any part of such money and liabilities in the same manner as if this security had not been created

10. I and my successors in title during the continuance of this security will pay all calls or other payments due in respect of any securities subject hereto and in the event of default the Lender may if it thinks fit make such payments on my behalf. Any sums so paid by the Lender shall be repayable by me or my successors in title to the Lender on demand and pending such repayment will be a charge on the securities and subject hereto

11. The restriction on the right of consolidating mortgage securities contained in Section 93 of the Law of Property Act 1925 shall not apply to this security

12. The security hereby created is in addition to any other guarantee or security for the customer now or hereafter held from me or otherwise

A S W I T N E S S the hand of the said MR LARRY E ROMRELL
and the hand of the duly authorised signature on behalf of Paten Holdings Inc

Per Pro
PATEN HOLDINGS INC

.....
AUTHORISED SIGNATORY

SCHEDULE

The following security is to be provided:

169,500 Fully Paid Ordinary Shares of Capcom Financial Services Limited, of 9-13 St Andrew Street, London EC4.

X

FOR MR BOB HAGUESS

1) **Old loan agreement**

2) **New loan agreement (2 copies)**

3) **Authority to pay dividends to Paten**

Old agreement for your information only. Please send both old & new agreements to us.

AN AGREEMENT made the 30th Day of September 1988 BETWEEN Mideast Financiers Limited of whose address is GPO Box 211, Port Vila, Vanuatu (hereinafter called "the Lender") in the one part and Mr Larry E Romrell of 5823 South Kearney Street, Englewood, Colorado 80111, USA (hereinafter called "the Borrower") in the other part

WHEREBY IT IS AGREED as follows:

1. The Lender will lend to the Borrower the sum of US Dollars 400,000.00 (US Dollars four hundred thousand only) (hereinafter called "the Loan") subject to the terms hereof and to the provision of security as hereinafter provided

2. The Lender agrees with the Borrower as follows:

   (a) That the total liability of the Borrower in the repayment of the loan and all its accrued interests is strictly limited to the value of his shares in Capcom Futures Inc. (an Illinois Corporation) as specified in the appended schedule, together with all its dividends and interests. The liability of the Borrower shall extend also to all stock dividends, right shares and any property accruing or offered at any time by way of redemption bonus, preference option or otherwise.

   (b) That the Borrower shall repay the loan and all accrued interests through the proceeds of the shares or their sale if effected or otherwise at any time but no later than 31st December 1991.

(c) In case at maturity date the loan or any part thereof has not been paid, the Lender shall have the right to sell the shares deposited with him as security, to apply the proceeds to the amounts due to him, and to pay the balance, if any to the Borrower.

(d) The Borrower shall pay interest to the Lender on such part of the loan as shall be outstanding from time to time at the rate of one percent above the US Dollar call deposit rate of Manufacturers Trust Company, London, such interest to be payable on the first days of January, April, July and October in each year.

(e) For the purpose of providing security to the Lender for the repayment of the loan and all interest on it, to enter into the Memorandum of Deposit in the form annexed hereto.

(f) To reimburse to the Lender all such costs that the Lender may incur in enforcing this Agreement or the Memorandum of Deposit referred to above.

3. The Agreement should be construed in accordance with the laws of England

AS WITNESS in the hands of the parties hereto

SIGNED on behalf of the Borrower

SIGNED on behalf of the Lender

SCHEDULE

The following security is to be provided:

80,000 Fully Paid Common Shares of US$5.00 each of Capcom Futures Inc., an Illinois Corporation.

MEMORANDUM OF DEPOSIT

1. I Larry E Romrell of 5823 South Kearney Street, Englewood, Colorado 80111, USA have this 30th day of September 1988 deposited with and charged to Mideast Financiers Limited whose address is PO Box 211, Port Vila, Vanuatu (hereinafter called "the Lender") the securities mentioned in the Schedule hereto to be retained by the Lender as a security for repayment to it of all money and liabilities now or hereafter owing or incurred to it from or by me under an Agreement dated 30th September 1988 made between the Lender and me together with interest on all such debts and liabilities to the basic payment, legal or other costs, charges and expenses

2. The charge hereby created shall effect and the security subject hereto shall include in addition to the securities mentioned in the Schedule hereto any security substituted therefore and all dividends or interests payable or paid after the date hereof and all stocks shares (and the dividends or interest thereon) rights monies or property accruing or offered at any time by way of redemption bonus preference option or otherwise to or in respect of any securities hereby charged

3. Any dividends interests or other payments which may be received or receivable by the Lender in respect of any securities hereby charged may be retained by it and held in suspense and if I shall fail to pay further secure or satisfy to the Lender on demand any money or liability hereby secured when the same shall be due they may be applied by it as though they were proceeds of the sale

hereunder and the Lender may without further notice sell or dispose of the securities hereby charged or any of them in such a manner and for such consideration (whether payable or deliverable immediately or by instalments) as it may think fit and may apply the proceeds of sale in or towards this charge of the costs incurred therein and of the money and liabilities hereby secured and shall pay the residue to me or my order

4. I undertake for myself and my personal representatives from time to time to execute and sign all Transfers, Powers of Attorney and other documents which the Lender may require for vesting or enabling it to vest the same in itself or its nominees or in any purchaser.

5. The Lender or its nominees may exercise at its or their discretion in my name or otherwise at any time whether before or after the power of sale hereunder has arisen and without any further consent or authority on my part in respect of any securities hereby charged any voting rights and all the powers given to trustees by Section 10(3) and (4) of the Trustee Act 1925 as amended by Section 9 of the Trustee Investments Act 1961 in respect of securities or property subject to a trust and all powers or rights which may be exercised by the person or persons in whose name or names the securities are registered under the terms thereof or otherwise

6. Without prejudice to the rights and obligations hereby created any dividends interests or other money hereby charged which may be received by me after the power of sale hereunder has arisen shall be held in trust for the Lender and paid over to it on demand

7. The Lender may at all time, without discharging or in any way affecting the security hereby created:

(a) Grant to me or to any other person any time or indulgence

(b) Deal with exchange release modify or abstain from perfecting or enforcing any securities or other guarantees or rights which it may now or hereafter have from or against me or any other person

(c) Compound with me or with any other person or guarantor

8. The security hereby created shall not be affected by any failure by the Lender to take any security or by any invalidity of any security taken or by any existing or future Agreement by it as to the application of any advances made or to be made to me

9. Any monies received hereunder may be placed and kept to the credit of a suspense account for so long as the Lender thinks fit without any obligation in the meantime to apply the same or any part thereof in or towards discharge of any money or liabilities due or incurred by me to it. Notwithstanding any such payment, in the event of any proceedings in or analagous to bankruptcy liquidation composition or arrangement the Lender may prove for and agree to accept any dividend or composition in respect of the whole or any part of such money and liabilities in the same manner as if this security had not been created

10. I and my successors in title during the continuance of this security will pay all calls or other payments due in respect of any securities

subject hereto and in the event of default the Lender may if it thinks fit make such payments on my behalf. Any sums so paid by the Lender shall be repayable by me or my successors in title to the Lender on demand and pending such repayment will be a charge on the securities and subject hereto

11. The restriction on the right of consolidating mortgage securities contained in Section 93 of the Law of Property Act 1925 shall not apply to this security

12. The security hereby created is in addition to any other guarantee or security for the customer now or hereafter held from me or otherwise

AS WITNESS the hand of the said MR LARRY E ROMRELL and the hand of the duly authorised signature on behalf of Mideast Financiers Limited

Per Pro
MIDEAST FINANCIERS LIMITED

.....
Authorised Signatory

June 30, 1947

FOR MR L E ROSKILL

1) Old loan agreement

2) New loan agreement (2 copies)

3) Authority to pay dividends to Paten

MEMORANDUM OF DEPOSIT

1. I Mr. Larry E. Romrell of 5823 South Kearney Street, Englewood, Colorado 80111, USA have this 17th day of June 1985 deposited with and charged to PATEN HOLDINGS INC. whose address is c/o Etude de Dr. Cecile M. Ringgenberg, 44 bis Avenue Krieg, 1208 Geneva, Switzerland (hereinafter called "the Lender") the securities mentioned in the Schedule hereto to be retained by the Lender as a security for repayment to it of all money and liabilities now or hereafter owing or incurred to it from or by me under an Agreement dated 17th day of June 1985 made between the Lender and me together with interest on all such debts and liabilities to the basic payment, legal or other costs, charges and expenses

2. The charge hereby created shall effect and the security subject hereto shall include in addition to the securities mentioned in the Schedule hereto any security substituted therefore and all dividends or interests payable or paid after the date hereof and all stocks shares (and the dividends or interest thereon) rights monies or property accruing or offered at any time by way of redemption bonus preference option or otherwise to or in respect of any securities hereby charged

3. Any dividends interests or other payments which may be received or receivable by the Lender in respect of any securities hereby charged may be retained by it and held in suspense and if I shall fail to pay further secure or satisfy to the Lender on demand any money or liability hereby secured when the same shall be due they may be applied by it as though they were proceeds of the sale hereunder and the Lender may without further notice sell or dispose of the securities hereby

charged or any of them in such manner and for such consideration (whether payable or deliverable immediately or by instalments) as it may think fit and may apply the proceeds of sale in or towards this charge of the costs incurred therein and of the money and liabilities hereby secured and shall pay the residue to me or my order

4. I undertake for myself and my personal representatives from time to time to execute and sign all Transfers, Powers of Attorney and other documents which the Lender may require for vesting or enabling it to vest the same in itself or its nominees or in any purchaser

5. The Lender or its nominees may exercise at its or their discretion in my name or otherwise at any time whether before or after the power of sale hereunder has arisen and without any further consent or authority on my part in respect of any securities hereby charged any voting rights and all the powers given to trustees by Section 10(3) and (4) of the Trustee Act 1925 as amended by Section 9 of the Trustee Investments Act 1961 in respect of securities or property subject to a trust and all powers or rights which may be exercised by the person or persons in whose name or names the securities are registered under the terms thereof or otherwise

6. Without prejudice to the rights and obligations hereby created any dividends interests or other money hereby charged which may be received by me after the power of sale hereunder has arisen shall be held in trust for the Lender and paid over to it on demand

7. The Lender may at all times, without discharging or in any way affecting the security hereby created:-

(a) Grant to me or to any other person any time or indulgence

(b) deal with exchange release modify or abstain from perfecting or enforcing any securities or other guarantees or rights which it may now or hereafter have from or against

me or any other person

(c) Compound with me or with any other person or guarantor

8. The security hereby created shall not be affected by any failure by the Lender to take any security or by any invalidity of any security taken or by any existing or future Agreement by it as to the application of any advances made or to be made to me

9. Any monies received hereunder may be placed and kept to the credit of a suspense account for so long as the Lender thinks fit without any obligation in the meantime to apply the same or any part thereof in or towards discharge of any money or liabilities due or incurred by me to it. Notwithstanding any such payment, in the event of any proceedings in or analagous to bankruptcy liquidation composition or arrangement the Lender may prove for and agree to accept any dividend or composition in respect of the whole or any part of such money and/ liabilities in the same manner as if this security had not been created

10. I and my successors in title during the continuance of this security will pay all calls or other payments due in respect of any securities subject hereto and in the event of default the Lender may if it thinks fit make such payments on my behalf. Any sums so paid by the Lender shall be repayable by me or my successors in title to the Lender on demand and pending such repayment will be a charge on the securities and subject hereto

11. The restriction on the right of consolidating mortgage securities, contained in Section 93 of the Law of Property Act 1925 shall not apply to this security

12. The security hereby created is in addition to any other guarantee or security for the customer now or hereafter held from me or otherwise

AS WITNESS the hand of the said Mr. Larry E. Romrell and the hand of the duly authorised signature on behalf of Paten Holdings Inc.

MR. LARRY E. ROMRELL

Per. pro
PATEN HOLDINGS INC.

AUTHORISED SIGNATORY

AN AGREEMENT made the 17th of June 1985 BETWEEN Patan Holdings Inc. of whose address is c/o Etude de Dr. Cecile M. Ringgenberg, 44 bis Avenue Krieg, 1208 Geneva, Switzerland (hereinafter called the "Lender") in the one part and Mr. Larry E. Romrell of 5823 South Kearney Street, Englewood, Colorado 80111, U.S.A., (hereinafter called "the Borrower") in the other part

WHEREBY IT IS AGREED as follows:

1. The Lender will lend to the Borrower the sum of one hundred and sixty-nine thousand, five hundred pounds, £169,500 (hereinafter called "the Loan") subject to the terms hereof and to the provision of security as hereinafter provided

2. The Borrower agrees with the Lender as follows:-

(a) To repay the loan and all interest due thereon no later than 17th June 1987

(b) To pay the Lender on the date hereof an arrangement fee of 1.5% of the loan

(c) To pay interest to the Lender on such part of the loan as shall be outstanding from time to time at the rate of 1.5% above the base rate of Manufacturers Hanover Trust Company such interest to be payable on the first days of January, March, June and September in each year

(d) For the purpose of providing security to the Lender for the repayment of the loan and all interest on it, to enter into the Memorandum of Deposit in the form annexed hereto

(e) To reimburse to the Lender all such costs that the Lender may incur in enforcing this Agreement or the Memorandum of Deposit referred to above

3. The Agreement should be construed in accordance with the laws of England

AS WITNESS in the hands of the parties hereto

SIGNED on behalf of the Borrower



SIGNED on behalf of the Lender

SCHEDULE

The following security is to be provided:

Shares of Capital Commodity Dealers Ltd., of 9-13 St. Andrew Street, London EC4, having a face value equivalent to the amount borrowed. Such shares being fully paid.

FROM: Mr Larry E Romrell
5823 South Kearney Street
Englewood
Colorado 80111
USA

TO: The Secretary
Capcom Financial Services Limited
9-13 St Andrew Street
LONDON EC4A 3AE

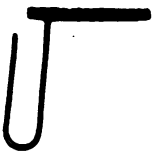
Dear Sir,

Please pay all future dividends due to me from Capcom Financial Services Limited to the order of Paten Holdings Inc, until further notice.

Yours faithfully,

MR LARRY E ROMRELL

9/4 /5 12/17/84



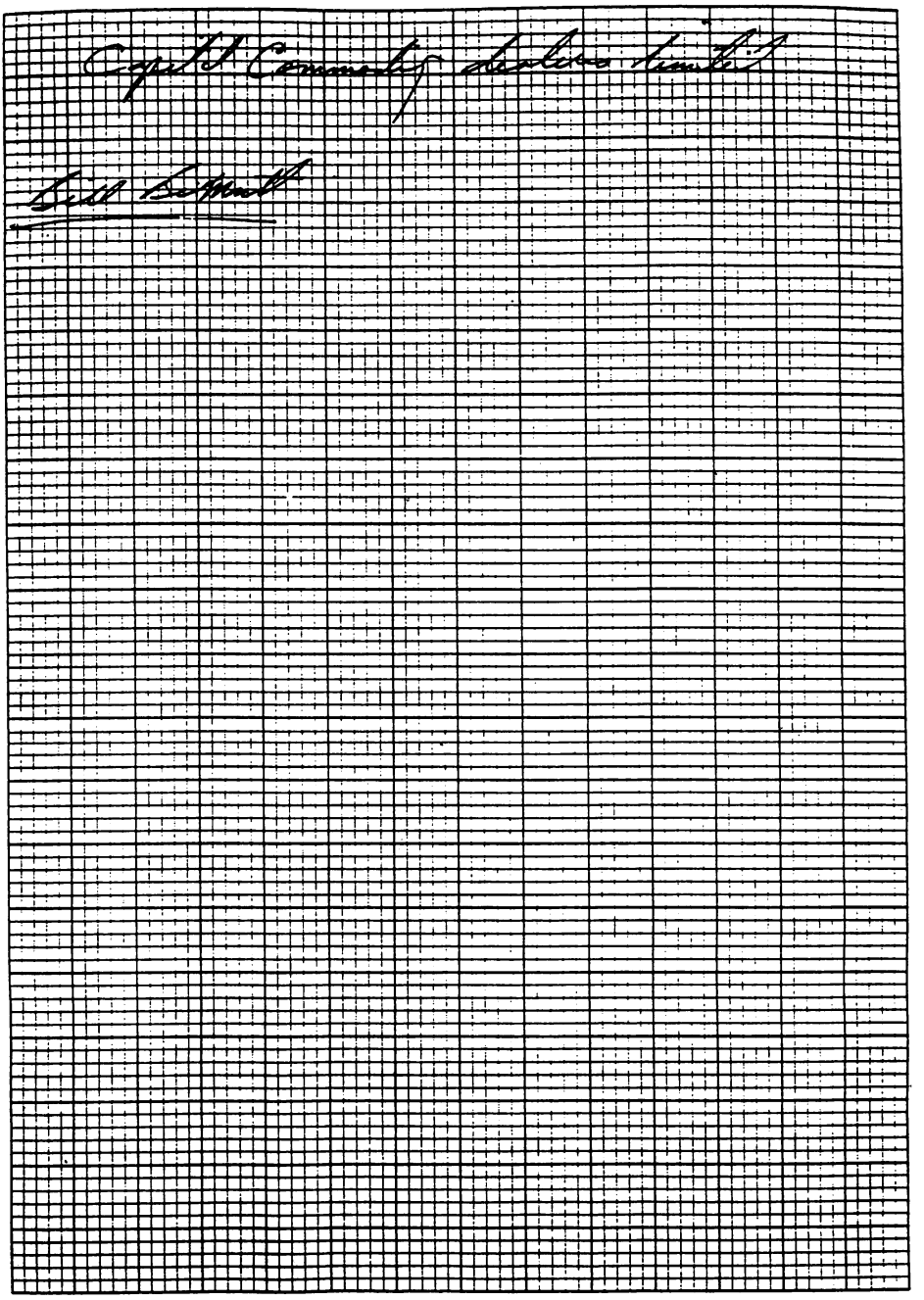
33-610
11" × 8½"
60 Sheets
Reference Information Included
10 Squares Per Inch One side
College Ruled Facing Page

National® Brand

Engineering and Science Notebook

Dennison National Company, Holyoke, MA 01041

A-09000



A-09001

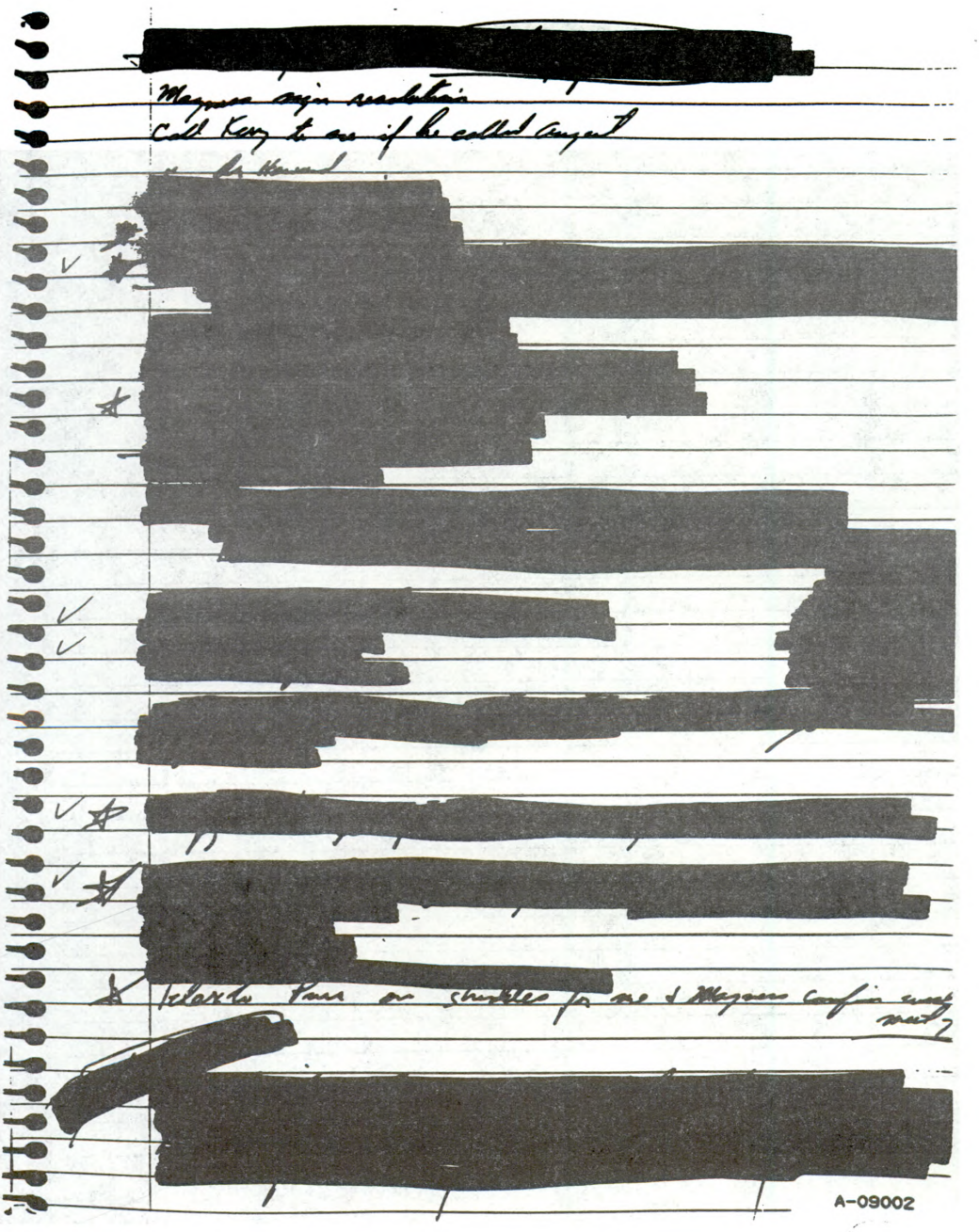
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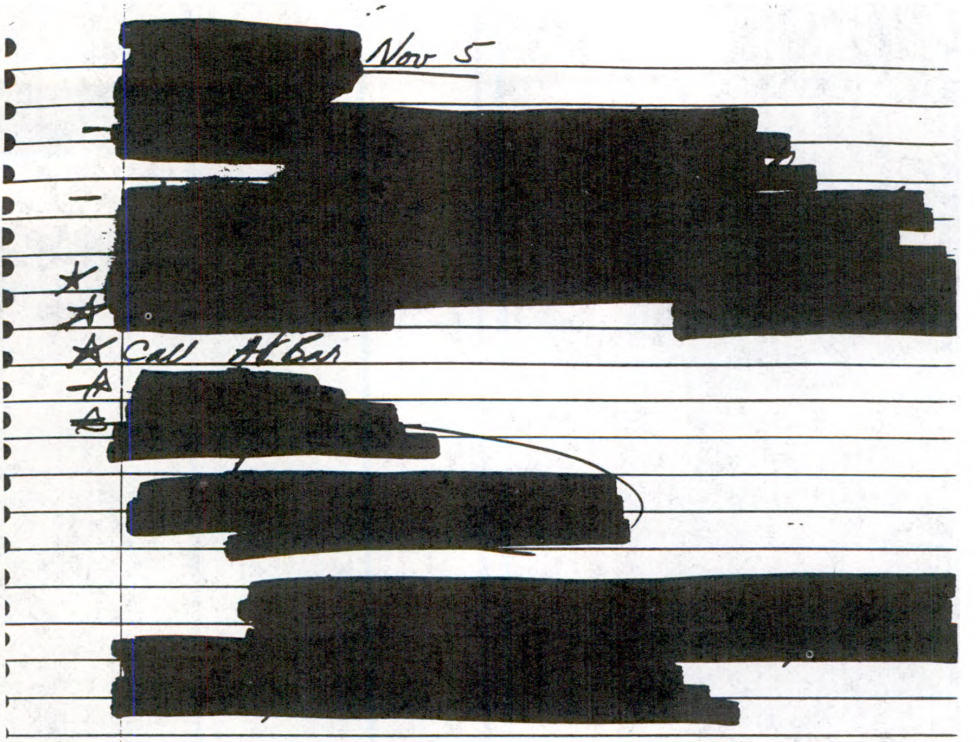
Ø Have Mayors approve Cap Com proposal

Jim Tyde Collins Sac/San F

(434)

A-19001a


[redacted]
Megyesy says resolution
Call Kay to see if he called anyone
[redacted]
[redacted]
[redacted]



A-09003

To : 85

33-610
11" × 8½"
60 Sheets
Reference Information Included
10 Squares Per Inch One side
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National® Brand

Engineering and Science Notebook

Dennison National Company, Holyoke, MA 01041

A-09004

~~Dec 17~~

Western Reporter Statement
Akber Letter

14,000 of TCT @ 23 = 322,000
239, 412.41 Principle

12-30-84 Int Due 7,058.85

A-09005
(HH3)

Magnus Status of Sale
CapCom
Deal of folder
Jim York - Comm/Pledant 70065 mail
GCI-Budget
GCI/Comm

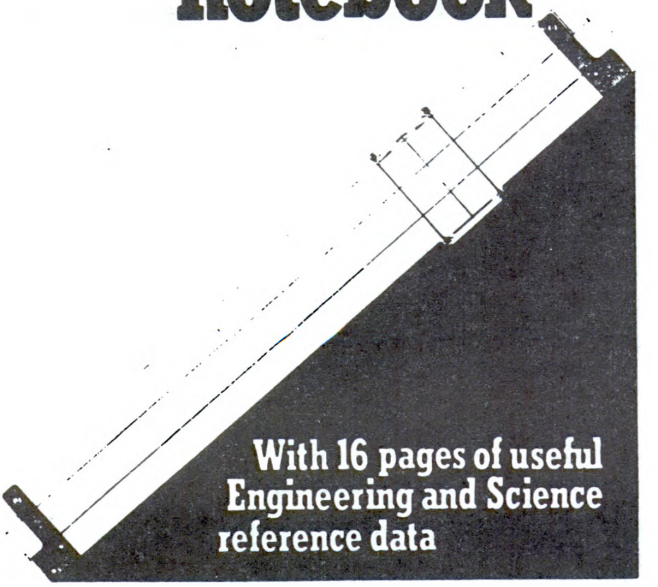
A-09006
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Carl Alley & Kane

A-09007

From 3-11-85 To June 23 1985

ENGINEERING-SCIENCE notebook

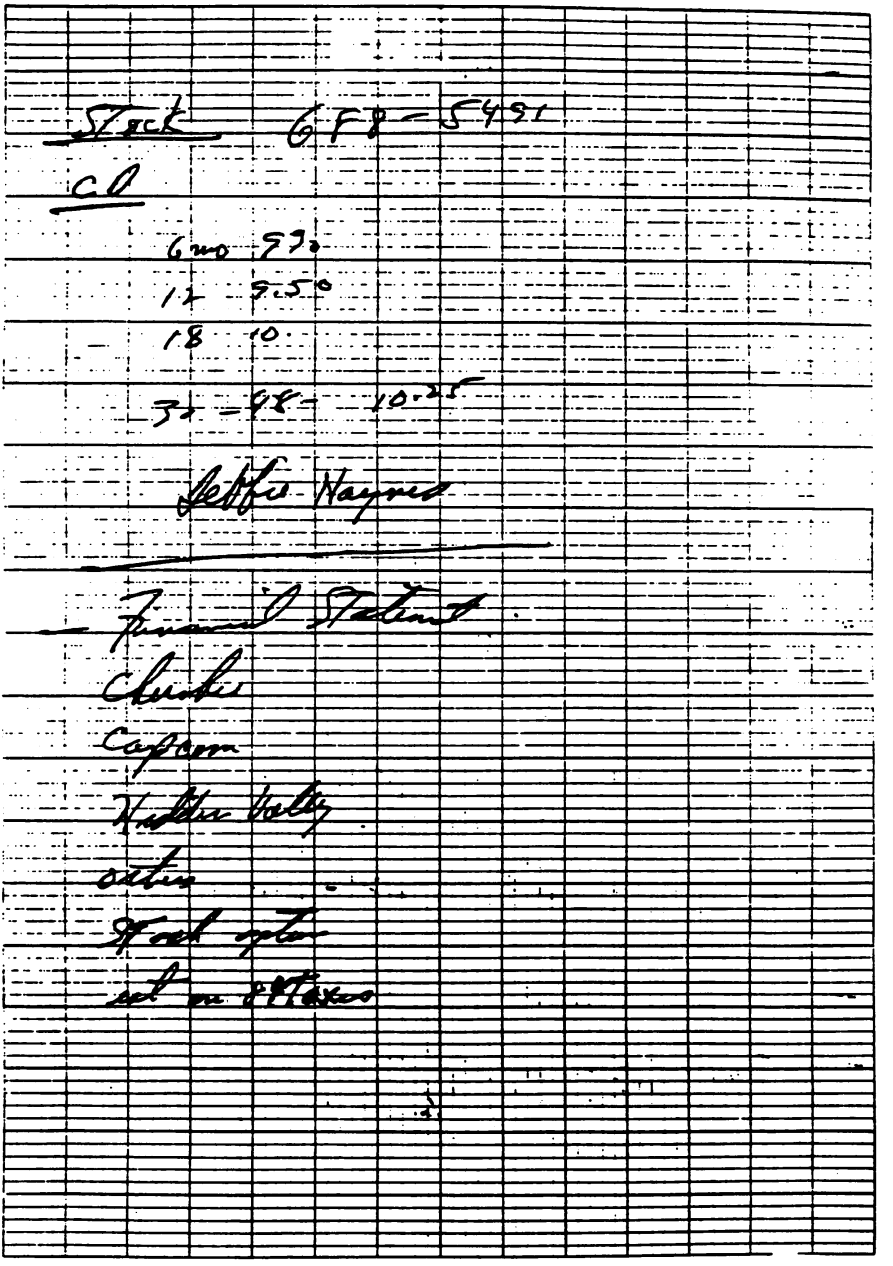


NATIONAL | 33-610
MADE IN U. S. A.

11x8½
60 SHEETS
HEAVY WEIGHT PAPER

NATIONAL BLANK BOOK COMPANY, INC. • HOLYOKE, MASS. 01040

A-09008


Stock GFP-5491
CO
6 mo 57.
12 9.50
18 10.
3 yr 98 10.25
Jeffco Haynes
Francis Stadium
Clunker
Capcom
Yakima Valley
outlaw
Stock option
set on Plexus

A-09009

- Non-qualified argument
- list of other companies stocks
- Copy all corp statements for Suzy
- Fax - Lou
- Western Equity agreements
- [Deed for 5825 Sycamore]
- L.K.P. - Agreement
- Load Mail + all Expenses

A-09010

(448)

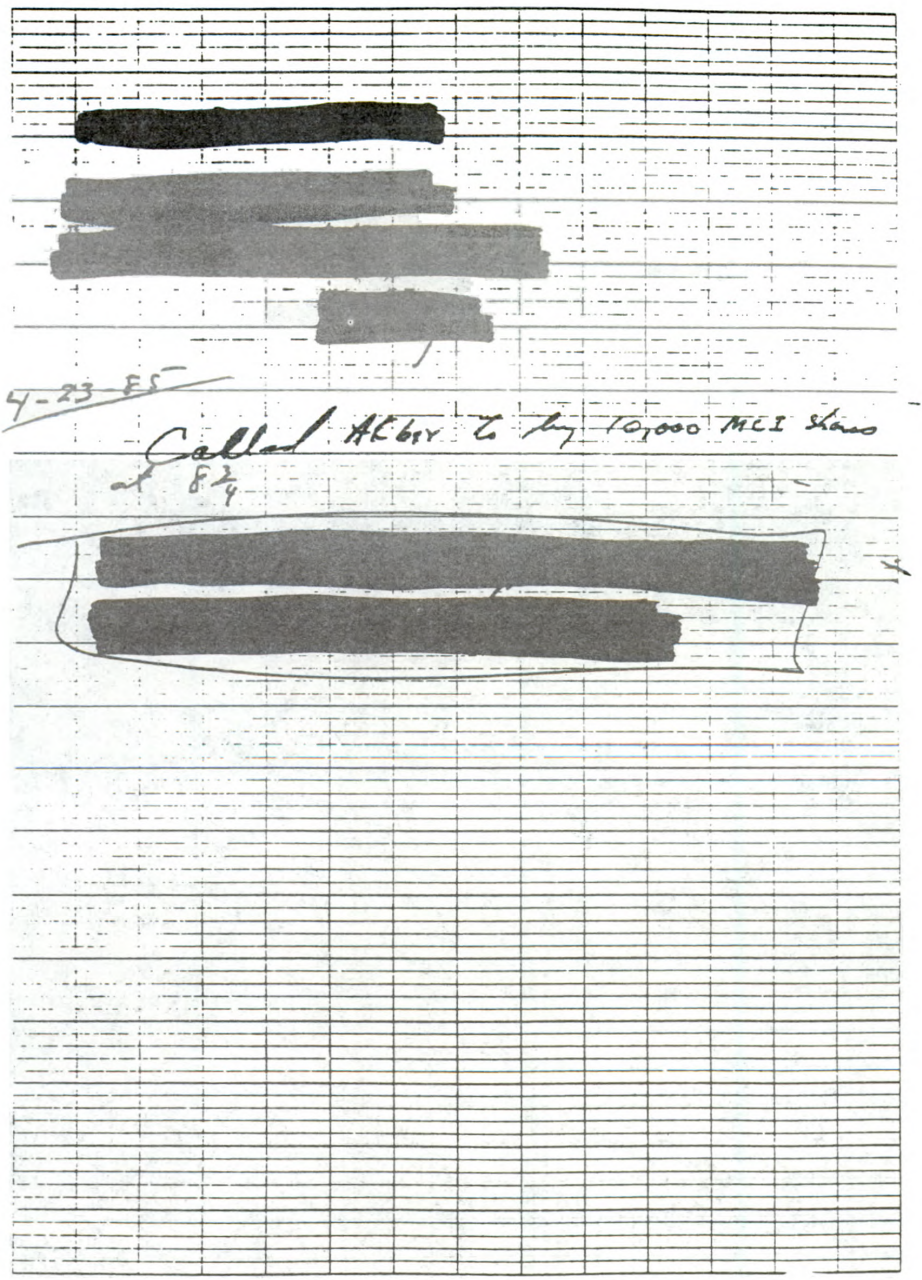
[redacted]

Send 30K + letter to Akbar
up to $25 $250K

[redacted]

A-09011

(449)



A-09012

Wayne — Helms meeting [redacted]

~~Hyman~~

~~Goldie~~

Fox

Phelan — Fred 212-832-8000

Kuss Lehr for allen + Co and Monte Bell dec

~~Stark to the bank~~ + Copy of expense letter to Cathy.

Farrell

WSJ CJ Mapl

Chris Sidley Houses + Buckley.

Call - Skeggs

Cogswell

Vail Security products Stan looks at Vail other depts

Meyers Calif
near So Tahoe

Exp mar 5 584074F4

Call on Akbar

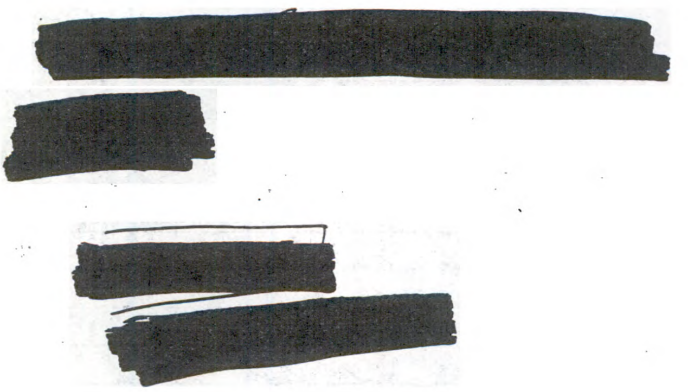
~~Hyrca~~

BH

Cont 463-6AG 4:40

A-09014

From 5-28-85-
To Aug 2 1985-



33-610

11" × 8½"
60 Sheets
Reference Information Included
10 Squares Per Inch One side
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A-09015

Chicago - Capcom
one of largest in world
Buy seat on Exchange to go direct
go in on our own name
Within 1 yr World Trade Center

Capital $15 mil $29 Capcom London
+$2 Others

13 mil Capcom London

Borrow from the market

Insurance Capital Capcom

5 mil
3 mil Sec loan
8 mil

to $25-mil

Current loans to Cap
Insurance $17 mil to
arranged through a private co to swap
17 to cap and lend to share holders
Share holders & main funds against Capcom
only.

10% of Stock $1 2.5 mil

1987 loans will be paid completely
($13K stock)

A-09016

C
Jardin $2.5 mil profit in 7 mo (454)

Spoke to Hearst
Lasting auto from ear
Hjorg other seat
Connell & Lant
Jim Fox

A-09017

(455)

Akbar

Sahib Sangeeth Sahib Gurbani

Mavenz = EBS

A-09018 (456)

June 18 Allart Chicago

Evergreen Law

Gary McCune

① Arnecat upstate
② London Lakeshore Hyatt Chicago

FOX
American Tobacco
Kemp
15851 Dallas Parkway
Suite 1120

Fox-Lowell

Puri

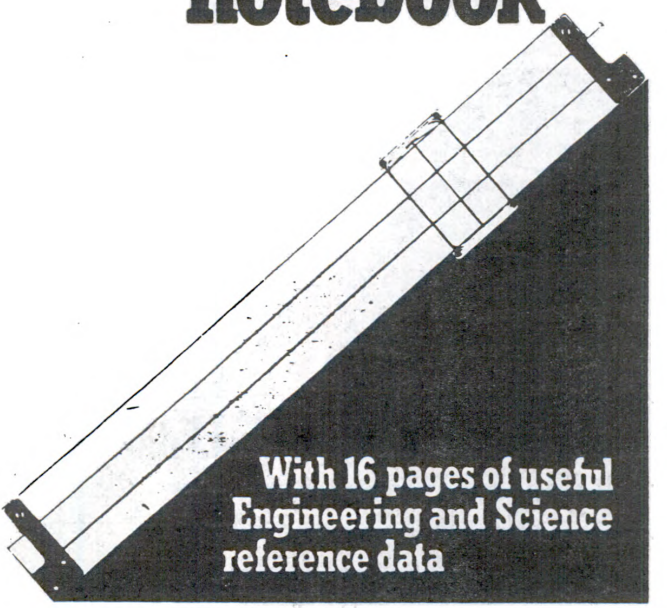
Who is Zask Trading and Investments LTD 4.5 000 shares
CAPcom 454 - $10,000,000 loan ?

[redacted]

A-09019a

From 1-[illegible]-
To Nov-1-85

ENGINEERING-SCIENCE notebook



NATIONAL | 33-610
MADE IN U.S.A.

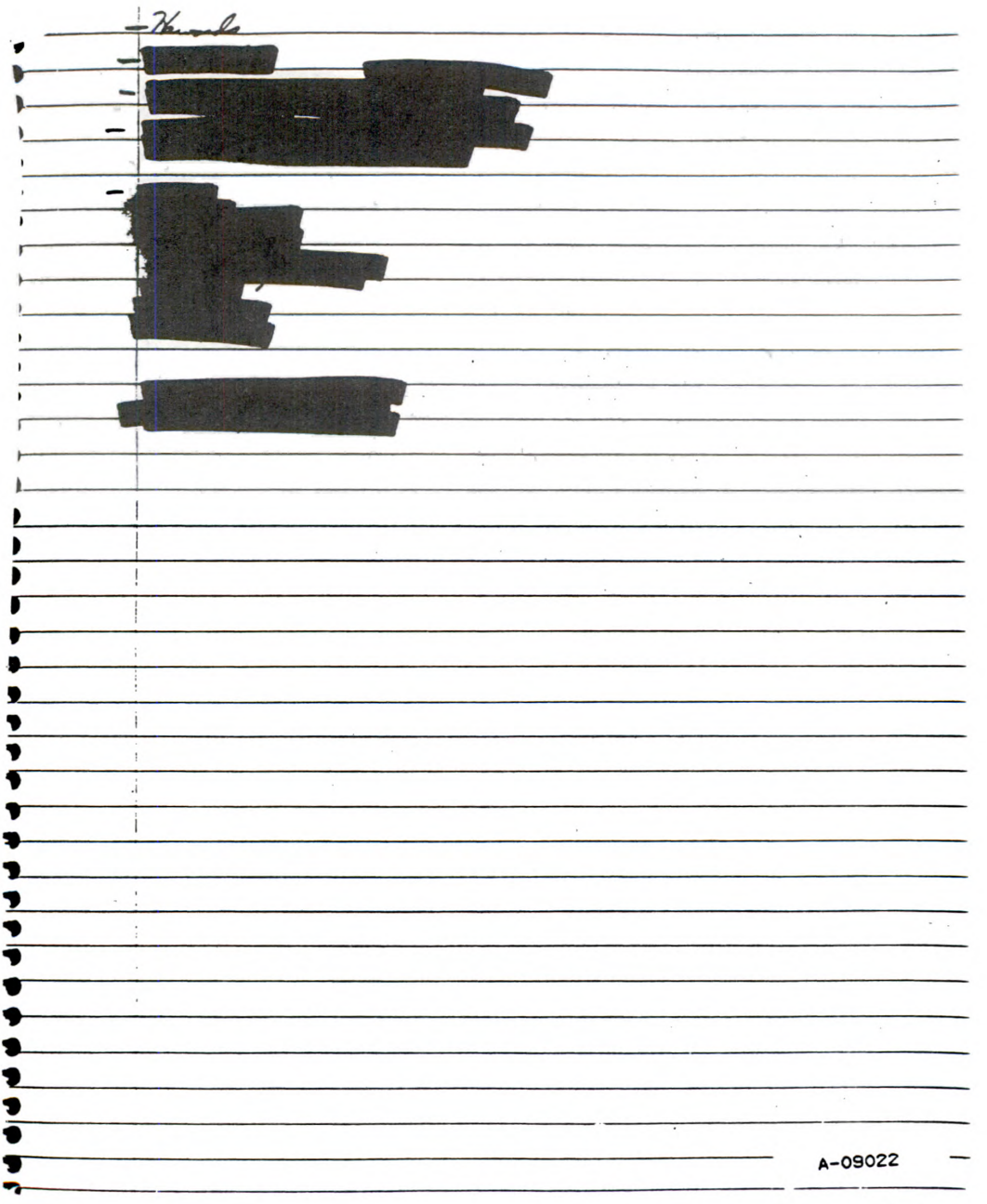
11x8½
60 SHEETS
HEAVY WEIGHT PAPER

NATIONAL BLANK BOOK COMPANY, INC. • HOLYOKE, MASS. 01040

A-09020

4- Seats purchased
2- AT 2- LL
September meeting will be conducted
Sept 9 or 10
Board of Trade both Boards
Chair member rate
Limited Clearing membership status
assigned one of our seats to the grant.
- question on grants in Newsview
letter.

[redacted]



A-09022

Capcom London 301-251-4486
fax 348-5755

- 15 pairs need access to change this
pulse dialing now - all separate lines now to CSi system

CSi - Tejon Smart Set, Tie?, pulse dialing
PBT-500 16ch

LHW Wyatt Brothers LTD
50 Cranbourne Park Rd
Kingston upon Thames
Surrey KT2 6JZ England
Electronic Audio Board Type 8001 MK II
Serial # 14588 R/1
tel - 01-549-5727

16 KbT - 32 KbT should have
- 96 plus combined -

112.5 KbT
128. KbT
224.

CUSO - 3 - 56 KbT

75 x 2N

1 ch -
2 ch -
3 ch -

Collins Wireless Shop Florin 8/26/85	128 KbT 55K / comment

A-09023

(462)

[redacted]

Also - ~~WTCI~~ debt for Mfg
- TCI debt
- call Kenny / Fisher
~~Long Term Tax Debt~~

[redacted]

A-09024

T 240 275 order at
US + London
Both companies chicago Board of Trade
Board of Trade
Mercantile

Sec 8(i) [redacted]

AA

GNP acquisition may be available

Art Haun

2 firms - #9mm Cap Lease

Start up costs + timing to be investigated

Holding company

Separate type of business

each one safety to report regulator

at 31 CAN on US year end

Toronto

decl May 22 1985 - Due date of 86, Jan 31 1986

then quarterly report mandated

10/1/85 projected operating date Capcom USA

Commissions paid to Capcom London ?

(Initially 50% of what Gilbarco is super charging)

need a written management agreement with Capcom London

with flexible charges for fees.

[redacted]

A-09026

9-10-85

Lang, Hunt

my membership pledged to this firm.

Contract Guidelines

U.S. Sole and part.
Fees - High
Telephone Sw vague
Guidelines on board powers
pay ? expenses ?
Indemnification - per audit
no limitation - negligence
Priority of orders
who responsible for 3rd party complaints
Guidelines annex to client list

A-09027

Capcom

Space Planning

Computer Equipment?

A-09028

Louis (Shorty) Schaap, Smith & Associates, Kelly & Wyatt
Gale-Dr Howard / Kathern / Gary B.

Commodities Corp
Jamming + Hedging 1003 - 502 full advance 2 feeders
all at actual rate now 1049
all cattle in their name
10¢ / head / day feeder accounts
3% Exchange 7¢ net
$100.00 @ 7¢ / day makes 259 return

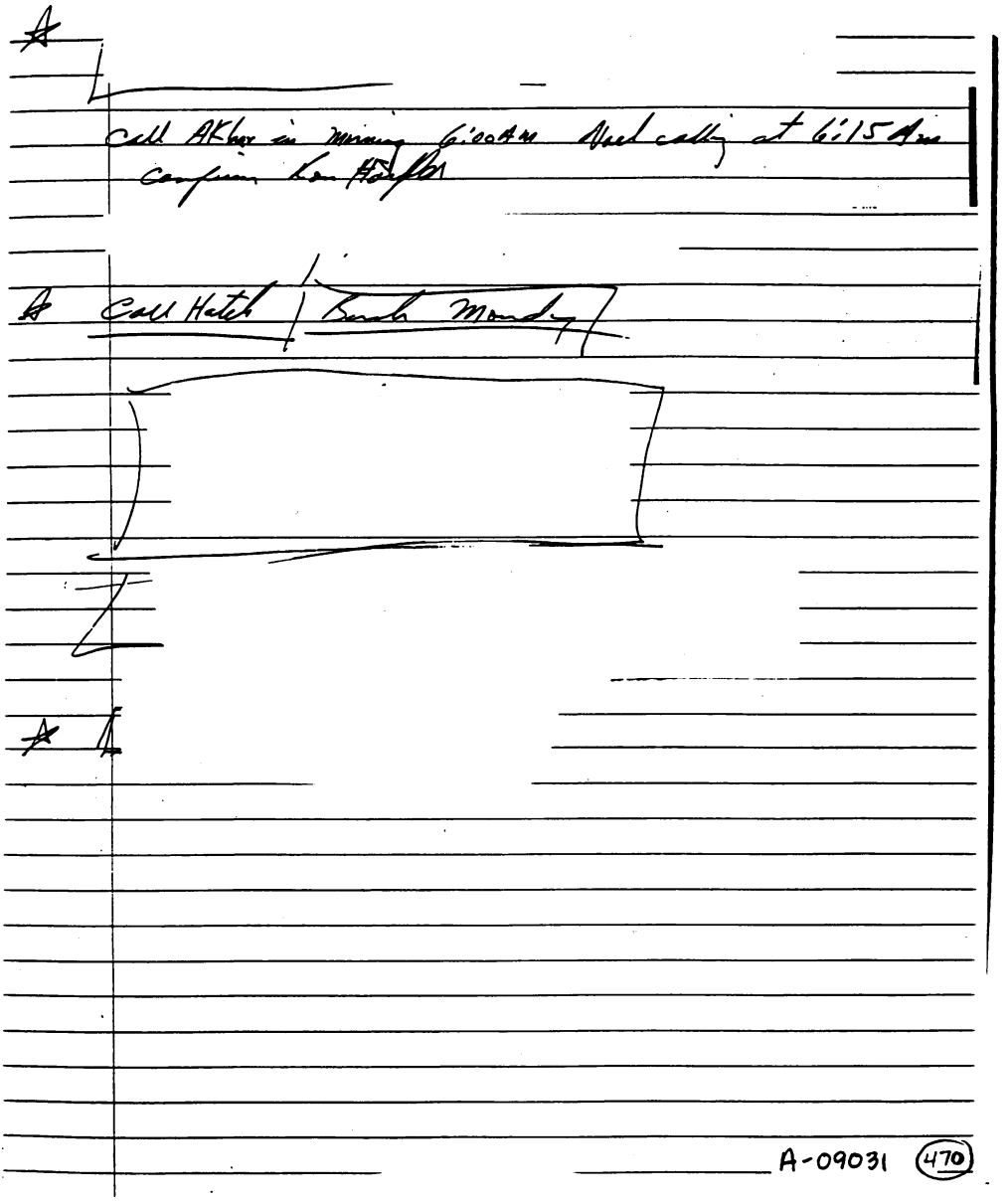
George Leonardo Jr.
Carpenter Company of Frank McNeil
Plumbing 526 3413

A-09029
(H68)

[redacted]

Akbar
Temp –
10 - 15 - 30 day
1,000,000

Call Dr Howard


Call AK box in morning 6:00 AM Need calls at 6:15 Am
Confirm Lon Hatch
Call Hatch Lunch Monday

[redacted]

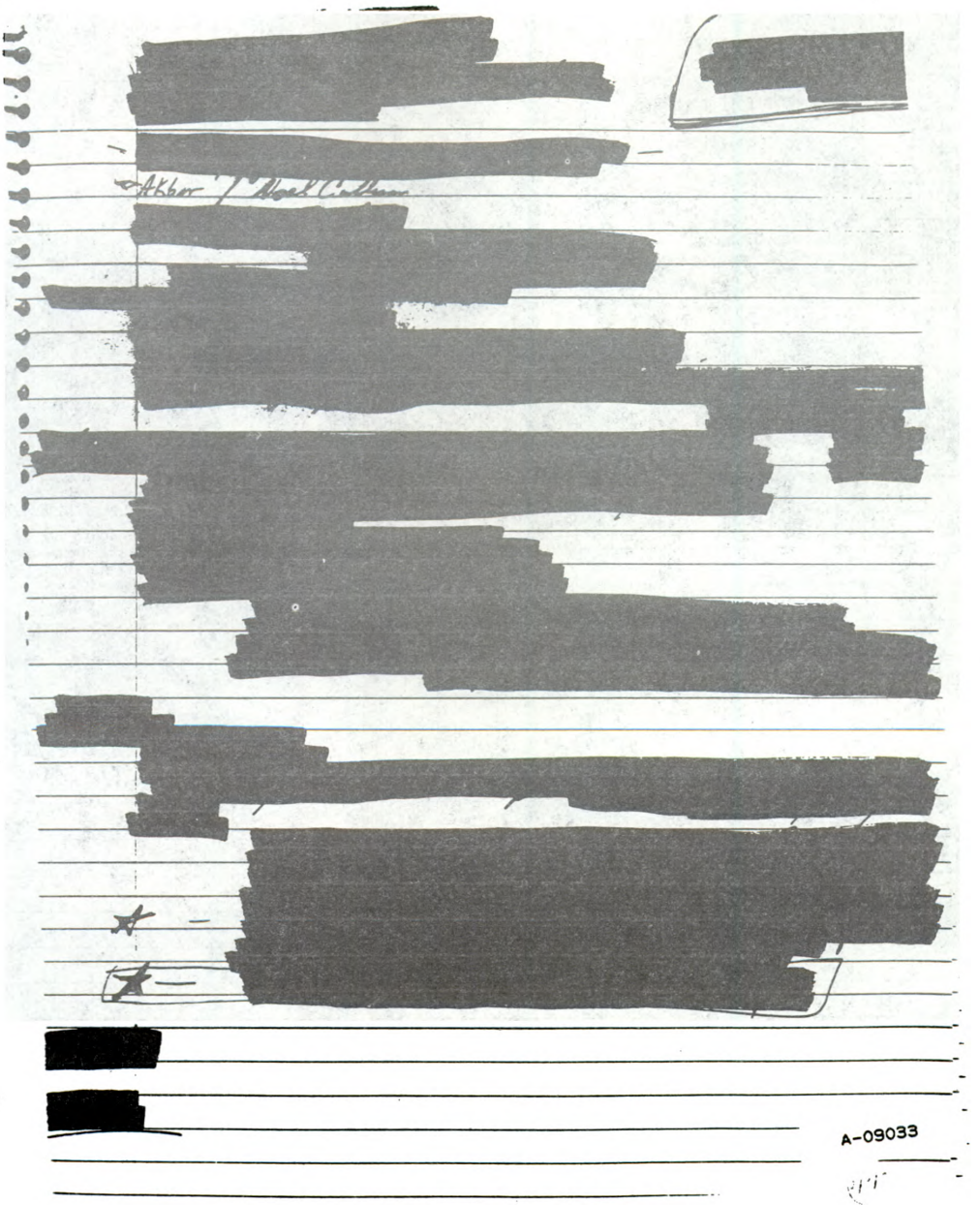
Bear
Akbar
Puri

Vice

[redacted]

A-09032

471



A-09033

[redacted]

Akbar

[redacted]

Hannibal XIII

Hamburg – Hannover

Harley Major –

Splash from Hell Tube

– Hannover

A-09034

[redacted]

Call

Hannah - [redacted] + Contribution Agmt.

[redacted]

A-09035

Viacom

- Capcom
- Magnus account
- Dr Howard — $500,000
- Capcom account 33% more than
- Gary Gannon — Inventor.

From Nov 6 1585 to Jan 17 86

33-610
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College Ruled Facing Page

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A-09037

Nov 11

[redacted]

Lang Heart - building ...
Mr Puri (India)

[redacted]

A-09038

(477)

[redacted]

Jay Hurst –
Continental Bank –
Hitchman Financial –
on South La Salle, renovated 25 20–30 Stories
½ block long
Midtown Market 12 South LaSalle own block
Loudin + Proctor primary Tenant.
~~$20 mil last yr~~
all new systems
7% cap on NOI
60% 10 yr loan
50% Loudin + Proctor to 2000 (47)
11½%
State Bank of Chicago Tenant.
98%

Effective Gross 3.5 mil 1986
Exp 2.1 mil (what's included Tax, Int.
1.8 mil Net
160K sq ft of Rentable space = $13.19/sq ft/yr
2 Blocks from the Board of Trade
3 Jamaa meer.
($1.66 mil) per yr with Tax Exempt.
Need to be at $21.65/sq ft/yr

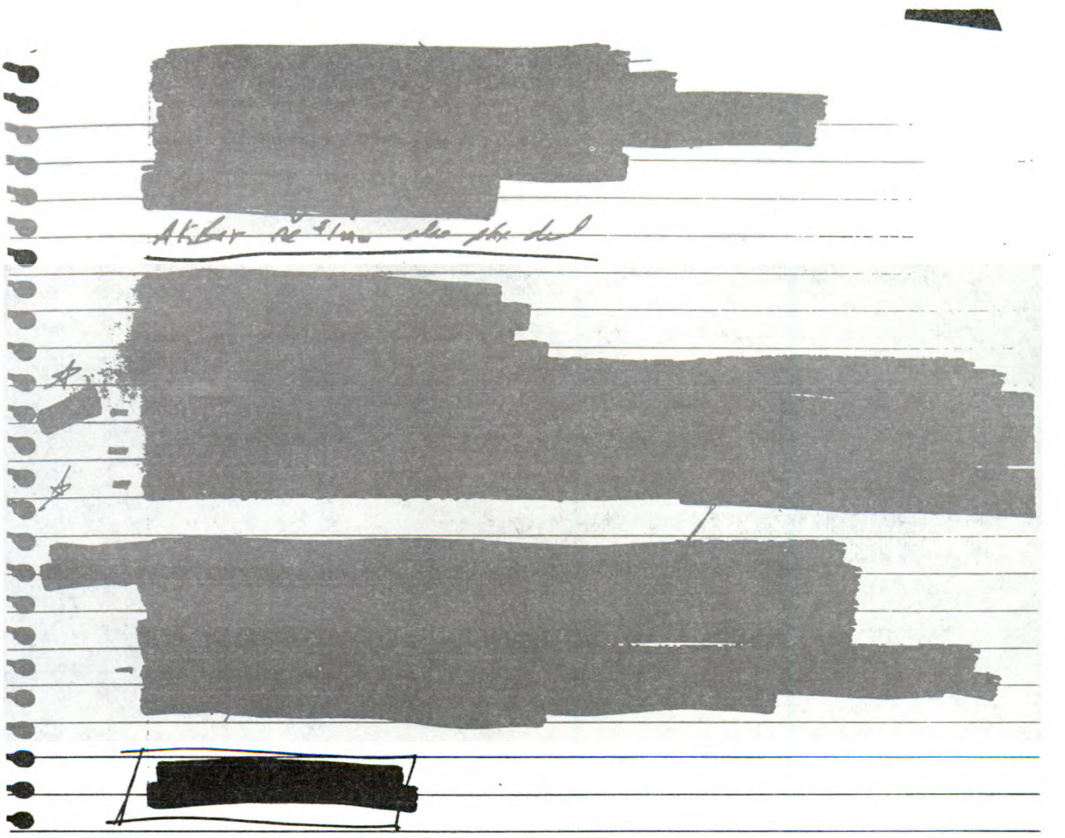
A-09039

[redacted]

Ajax -44
Aker -40

[redacted]

A-09040



A-09041

(47)

Jan 20 86

[redacted]

A-09042

(45)

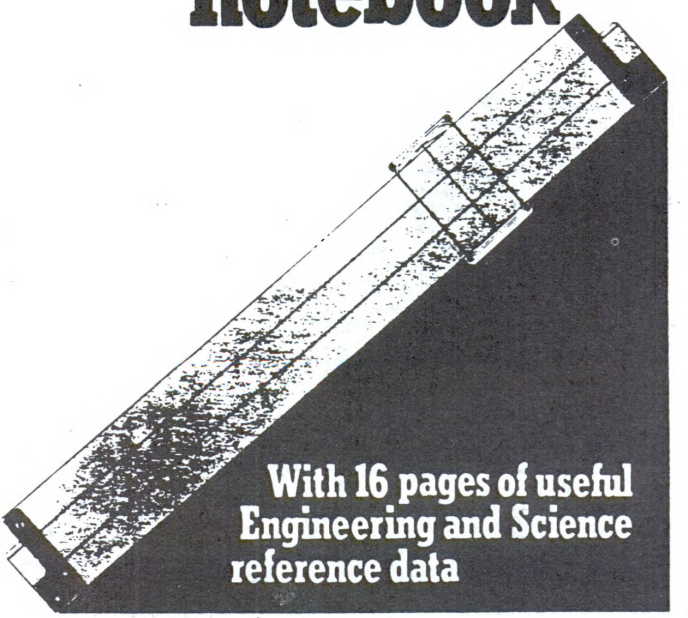
Mr Howard re his loan

$247,000 -

$32,000 cash -

Fr. August 18, 1986
To. Oct 23 1986

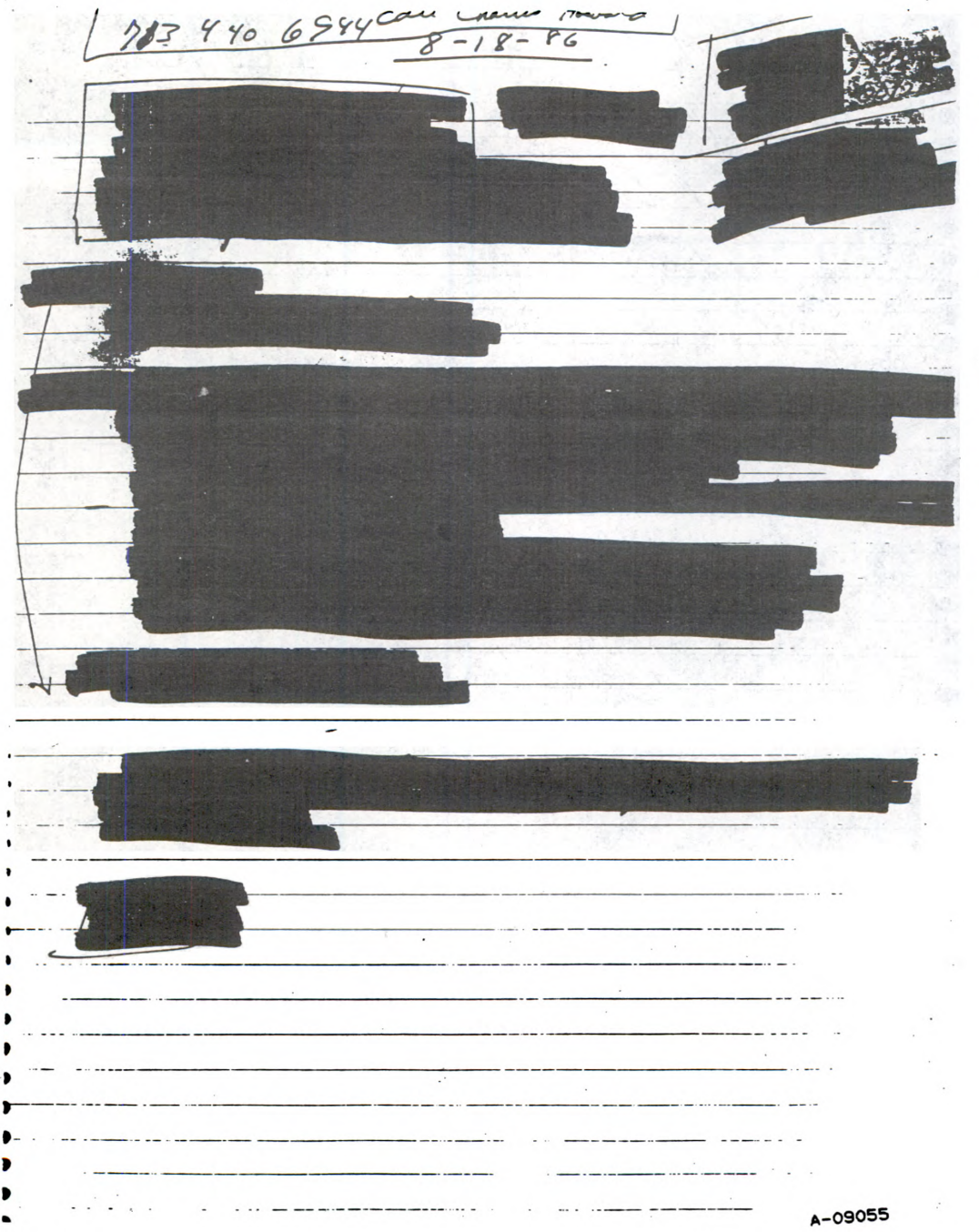
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A-09055

Jamil Khan

#160

Charles Kennel –

Winterrowd –

Send letter organizing repayment program plan

Carrizo –

A-09056

(490)

Noels Note

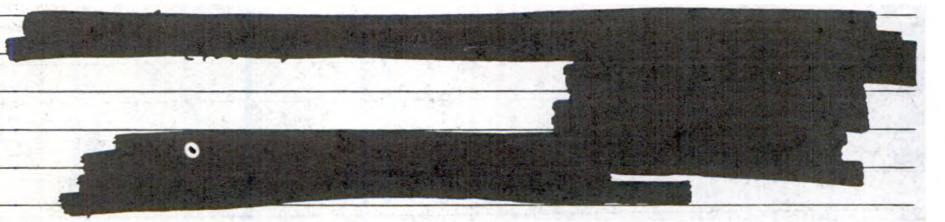
525K 11-8-65 to 9-19-66 315 311 days

38%	= .0008333	X 311	.26	= $136,663.50
20%	= .00055556	X 311	.17	$ 90,708.33
25%	= .00069444	x 311	.22	$ 113,385.42

Plus Cost

Package to BCCI

Package to Ajay re NoelC + Check



A-09057

771

Sept 17, 86 — Money en route to Colo Nat.
Int'l Security
Pass to [redacted] Peoples NY for acct of
BCCI [redacted] Ova Seas Cayman
for credit to WW acct
1400 1458 WWaaaa

A-09056 a

From 10-20-86
To 1-26-87

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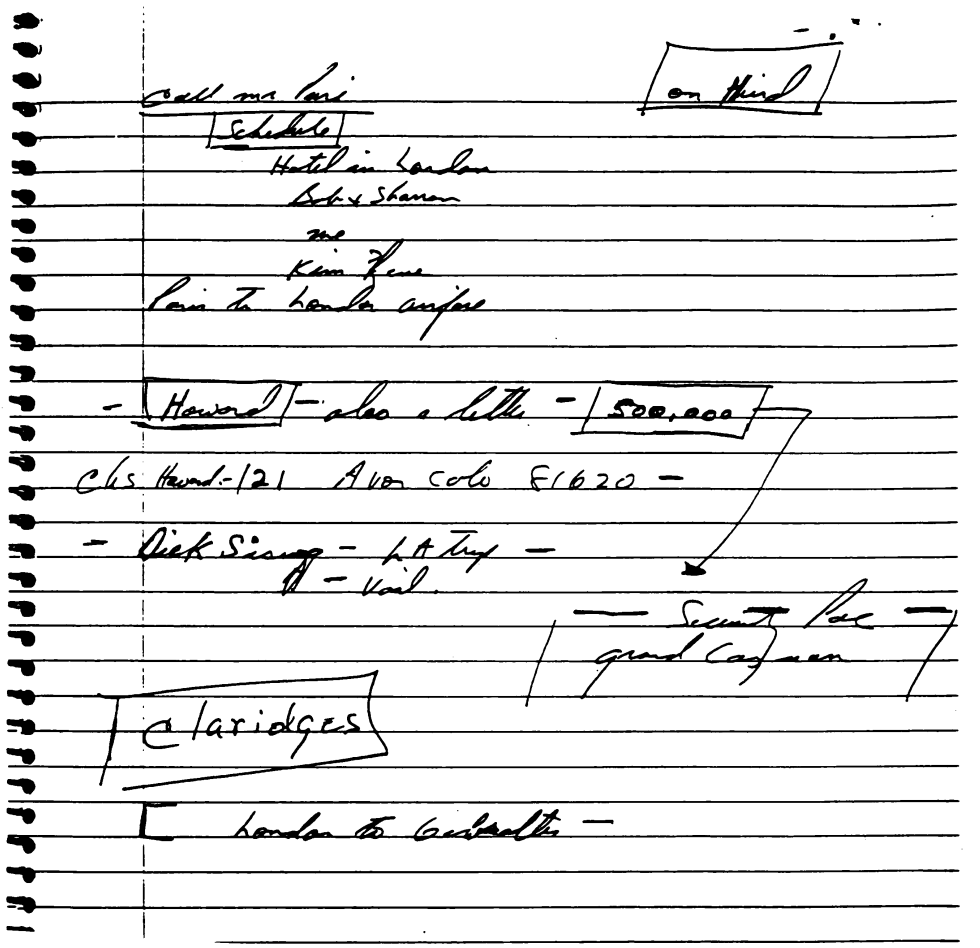
Engineering and Science Notebook

Dennison National Company, Holyoke, MA 01041

A-09058

[redacted]

A-09059


Call me Lori
Schedule
Hotel in London
Bob + Shannon
me
Kim Rene
Lori to London anyone
on Hand
- Howard - also a letter - 500,000
Chas Howard - 121 Avon Cobb EC620 -
- Dick Sisung - LA Trip -
- Vail.
— Security Pac —
grand Cayman
Claridges
London to Gatwick -

from 2-4-87
To [redacted]

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A-09060

Telegram mistake –

Past yr [illegible] ##
→ 5/4 → 20-volt work

Deb Soffel —

Principal bal of loan 2,500,000

6.5 7.5 %

#47,875 -

28,000 bal line of credit
15,000
43,000 need $3000 fr early month bills
3,000 #184K cost 3,45 o/ inb 44,850 →
40,000 Bal next note to pay off

Tax input ready - can't find enough time to get it done.
- Hope to get done by April one (1)
Try

Cobb Nat Bank =

Bill in mail for int.
pay down sent in allocated

$4000 each payment sent for
they calculated the interest + took it out.
called

Take the balance

÷ 13 mos left -
Deed of Trust
exchange Notes

A-09062.

[redacted]

[redacted]

[redacted]

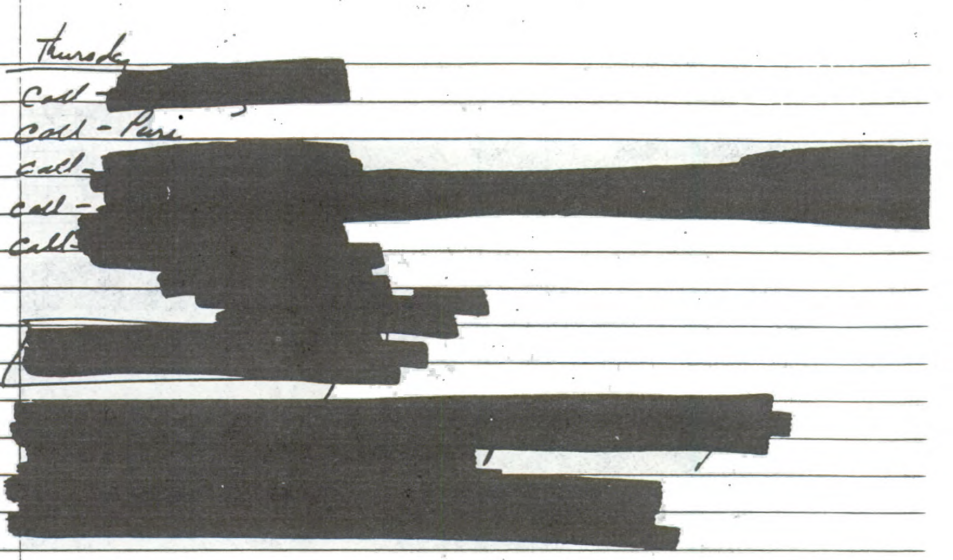
[redacted]

[redacted]

Howard, Claudia 303-524 1700 Eagle

[redacted]

A-09063



A-09064

4/87 - 7/87

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A-09065

- [illegible] Trial on
- [illegible] Seam
- [illegible] of [illegible]
- [illegible] of [illegible]
- Threatened to issue preliminary Charges 2 weeks ago
  They agreed to let us appear before [illegible]
  a sub-Committee with written response
- preliminary Charges against Chevy
  & London
  Told them we [illegible]
  do business

Kentucky Logan & Wells Cty

Howard Schneider Cty Attorney

[redacted]

CAPCOM Chicago 7-16-88

Arthur Hahn –
71-72 – [redacted]
Chat rules committee.

① Fee
② Disclosure (Form 40)

Community U wanted by Capcon London
deal to principal, not agent. Venue Amendment
Elders

Settle | Capcon London forming Broker
John Milkie – wash
CFTC / CBOT
Preliminary charges, Business Conduct Committee
Hearing
① fine
② cease desist
can be appealed to the board
Board of Directors after their conclusion
can appeal to the CFTC

1. Foreign Bases (cont'd)

[redacted]

It was felt as we discussed
between the C&C against the Chancery
Shareholders to [redacted] the previous
trades of C&A Corp London. The Board
conducted at that time that the Majority
Shareholders would not sign the Consent
after such good legal advice the
reorganization was felt. It was
understood by the shareholders reorganizing
Shareholders that they were remaining
in the original Shareholders thus the
actual Beneficial ownership did not
change. This seemed to be the best way
to [redacted] Solve the request for C&A
to file an Injunction against [redacted] this
this would certainly jeopardize the Good
name and standing of C&A Corp. On
the other hand if [redacted]
after filing a
Consultant August 15th report the Shareholders
(which you control) wish to make changes
of any kind to the memorandum the
Capital structure or anything else this
will be possible.

Mr Kohl I understand your position
and in the End you will prevail because
[redacted]

Call Larry Hunt

Separate Fax

With respect to the Shareholder meeting we discussed to

With respect to the CAICom Chicago shares we have been discussing you asked me to call a Shareholder meeting of all the Shareholders of CAICom. Both of us would have liked to hold this meeting within the next few days. However, because of the prior commitments of Mr. Mayers & my self it can not until late August. At the earliest August 17 & 18.

It has been pointed out by Larry Hunt that the closing date for the CAICom Chicago is Aug 15. The reports therefore will need to be prepared by August 12.

The reports are detailed and require reg to Industry again to the SDT the CAICom Chicago's Capital, shareholders & % of Shares held.

Thus there is a problem with the proposed Shareholder meeting date as the shares must be resolved prior to this July. ~~Fortunately~~ ~~not all the the documents required by~~ August 14 has already been filled ~~in time~~ as you know. The reorganization Plan for CAICom Chicago has already been

A-09069

2-8-88 - 6-8-88

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A-09080

Amigo

Weld Co also Vorco Resources

Magnum - early Wed

$42,000 to Travelers Stan Lee

Forms for Helmer

AKbar 177K Shares at $1/Share

[redacted]

SECRET

Add to the abstract signed D in Cal FAX also Howard volume

[redacted]

A

A-09096

Send DCI Statement out to WW Amigo.
See Bob Post of Fort Jackson (Hand)

[redacted]

[redacted]

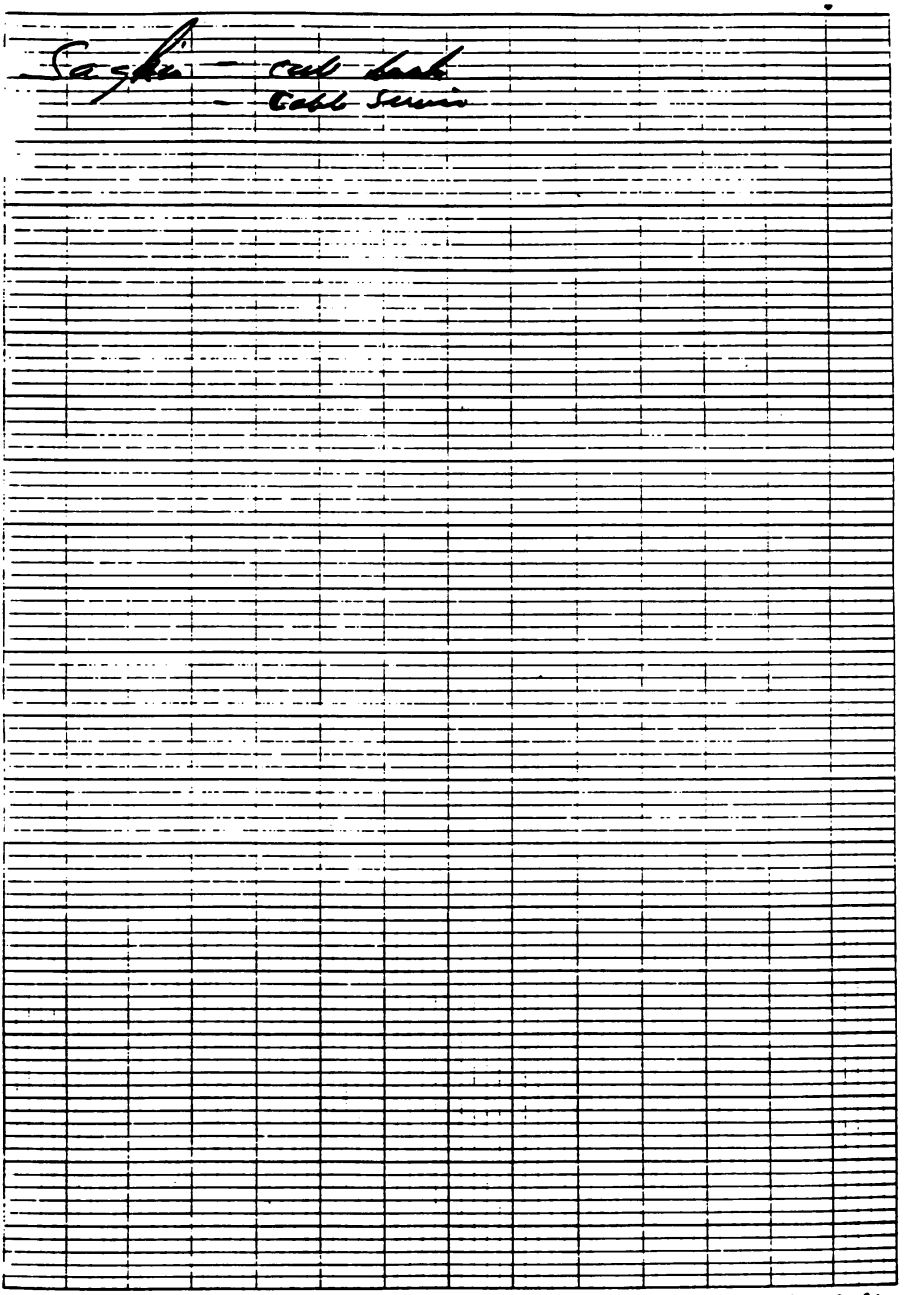
A-09097

(27)

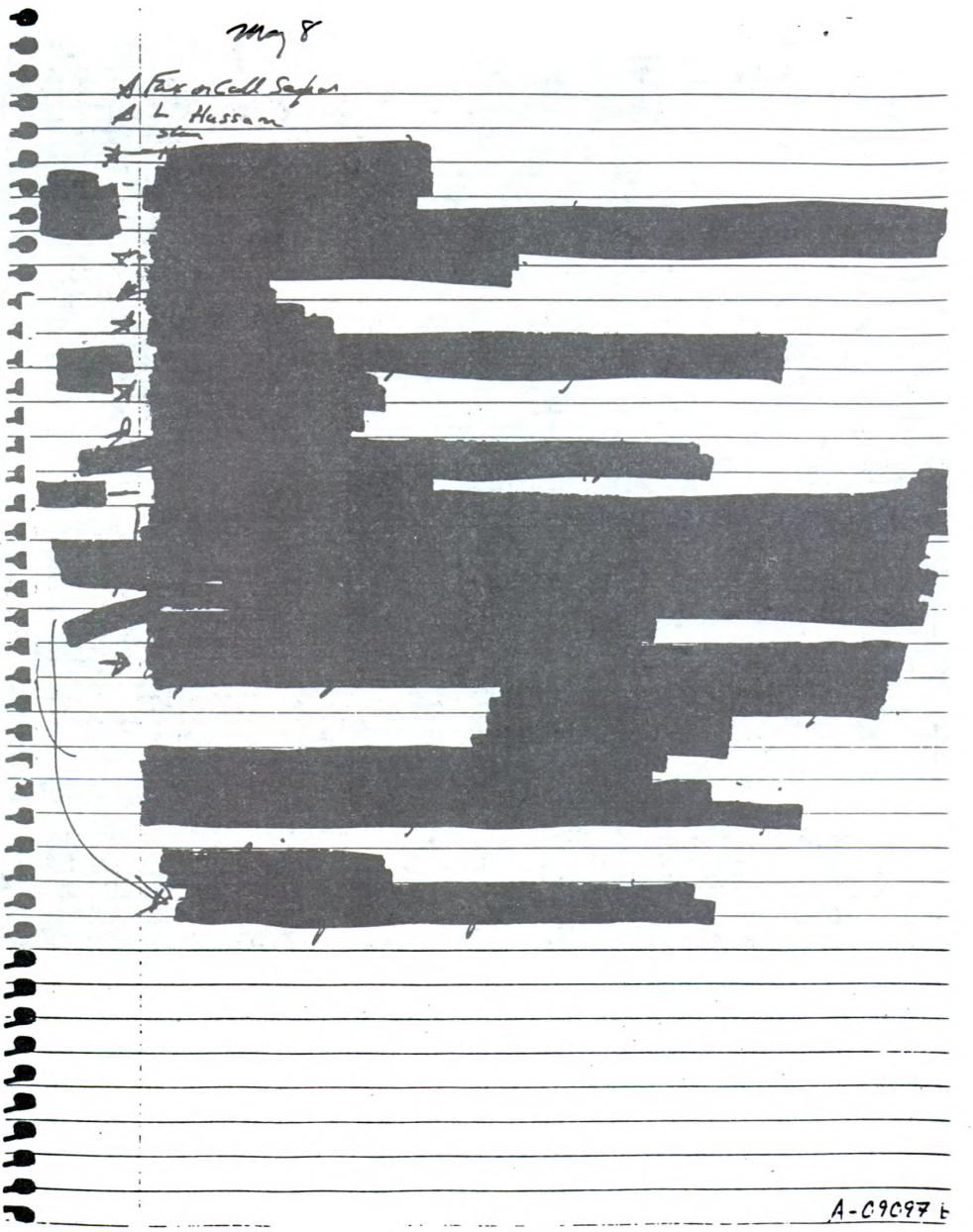
Sham - Magnum memos re Winterwood.
not Gulf, Commissions, Salaries, or Statement
not cooperation w Cole Hart or BCCI, Mt cooperation
Colonial.

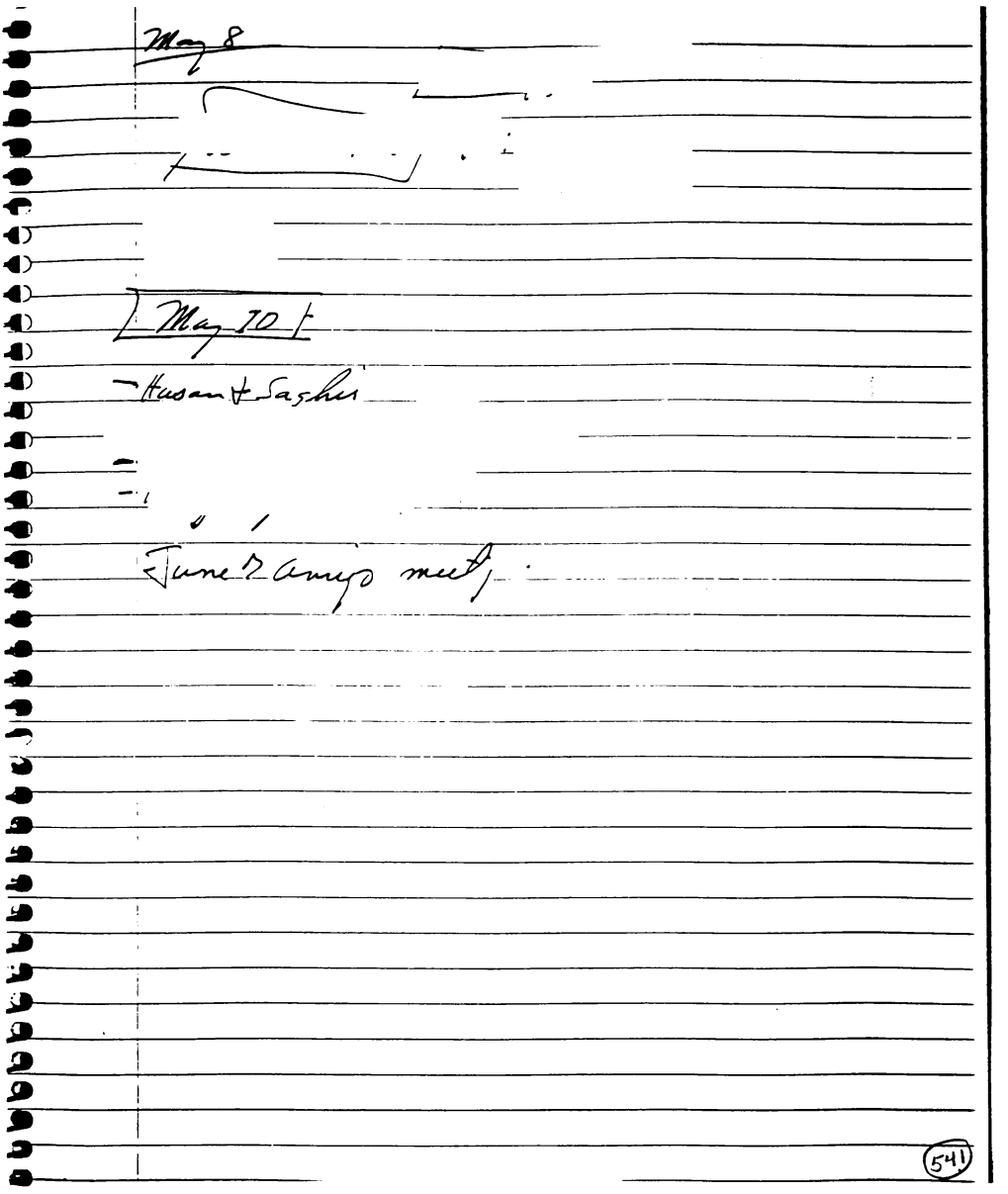
Sham - BCCI Fax
- Wire money to Stan Liss

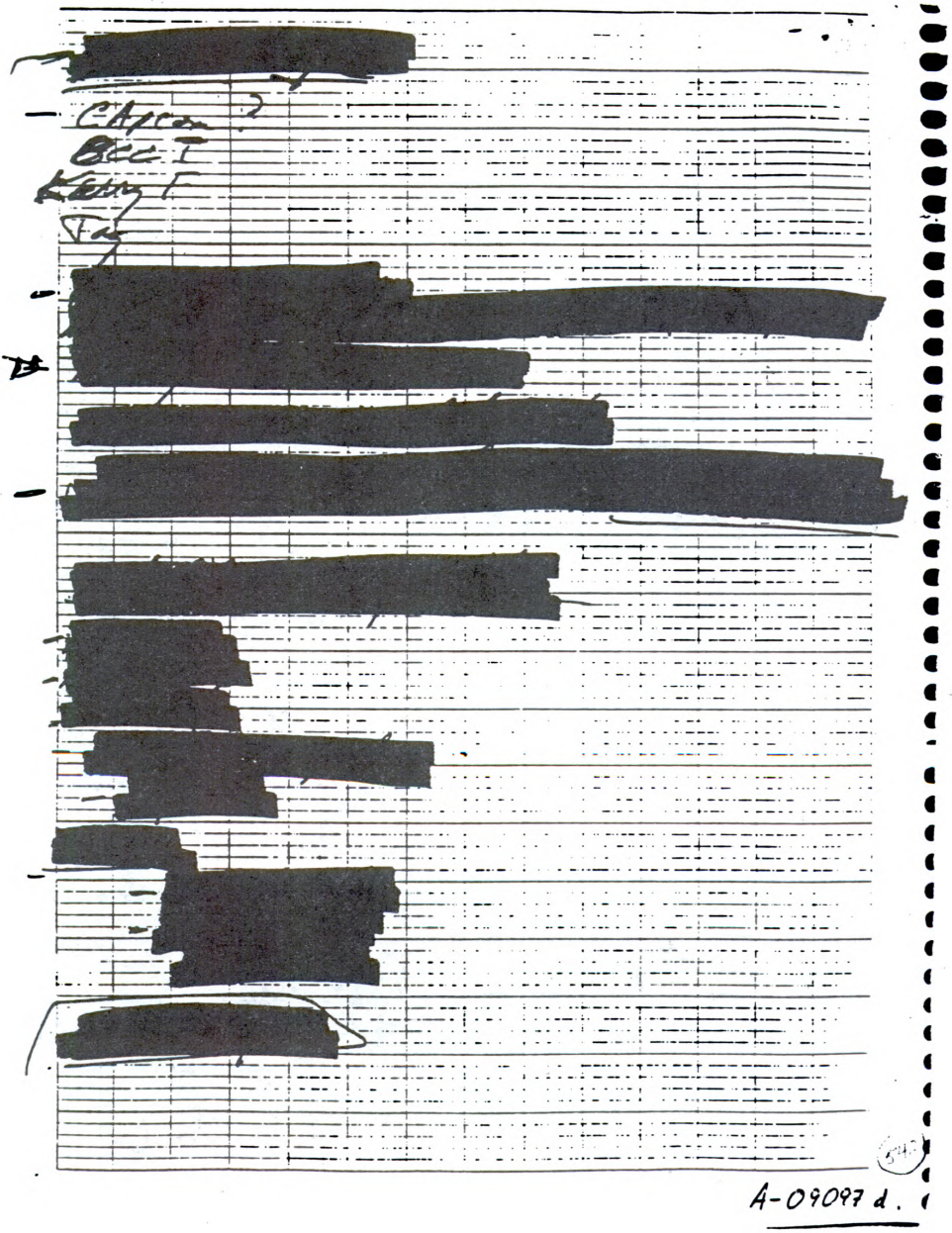
(538)



A-09096 b


May 8
A Fax on Call Safar
A L Hussam
A-C9C97


May 8
May 10
Hasan & Sachs
June 2 Amigo meet
541



A-09097 d.

Nov 89 — 4-3090

33-610

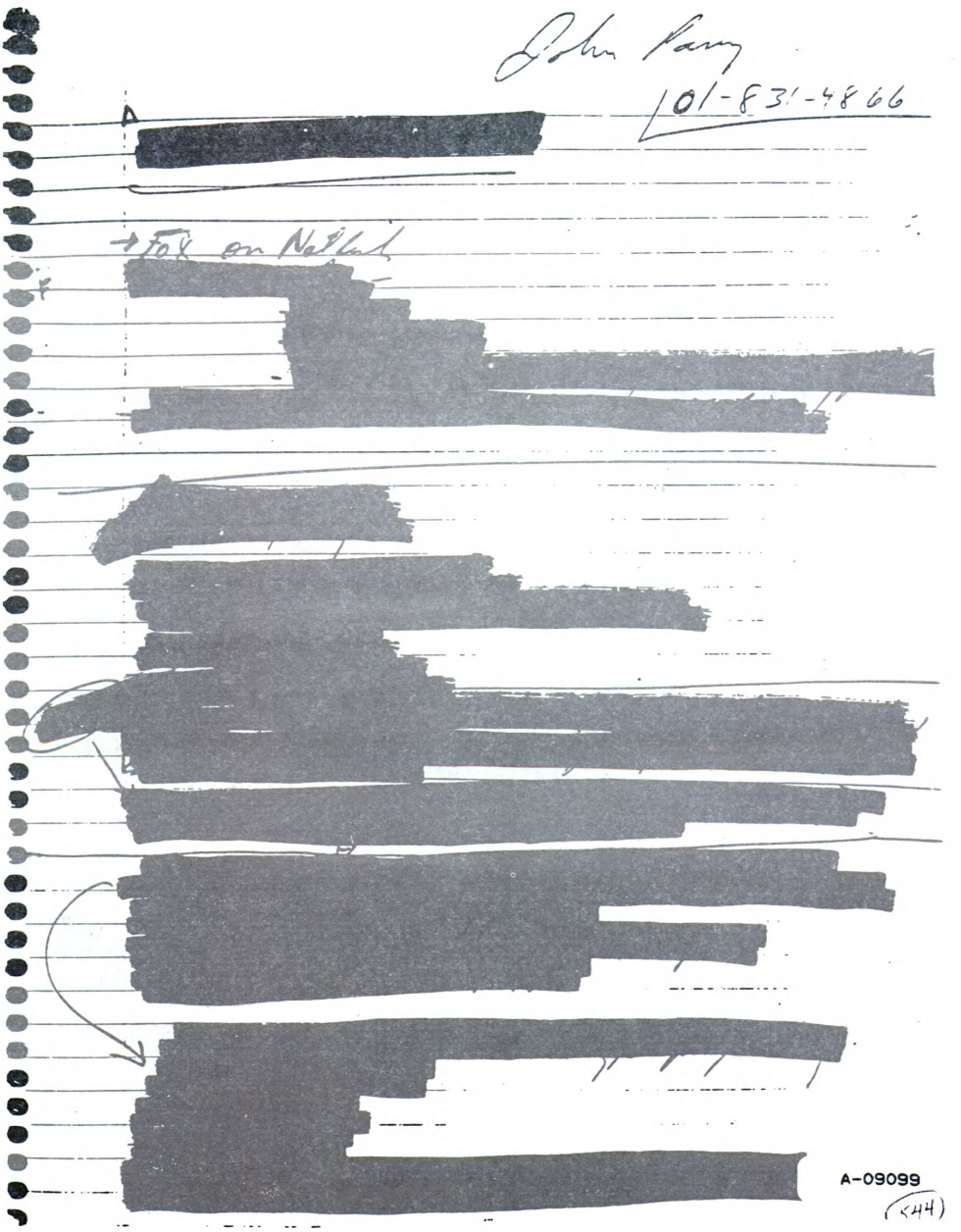
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A-09098


John Lacy
101-83-4866
→ Folder on Nat'l Lab
A-09099
(44)

7

2 & Bal

Akbar – Cayman, Bank, letter on Home ownership

A-09100

[redacted] 1946

[redacted]

Call Sayles re bail money Nelson Bennett Klein

A-09088a

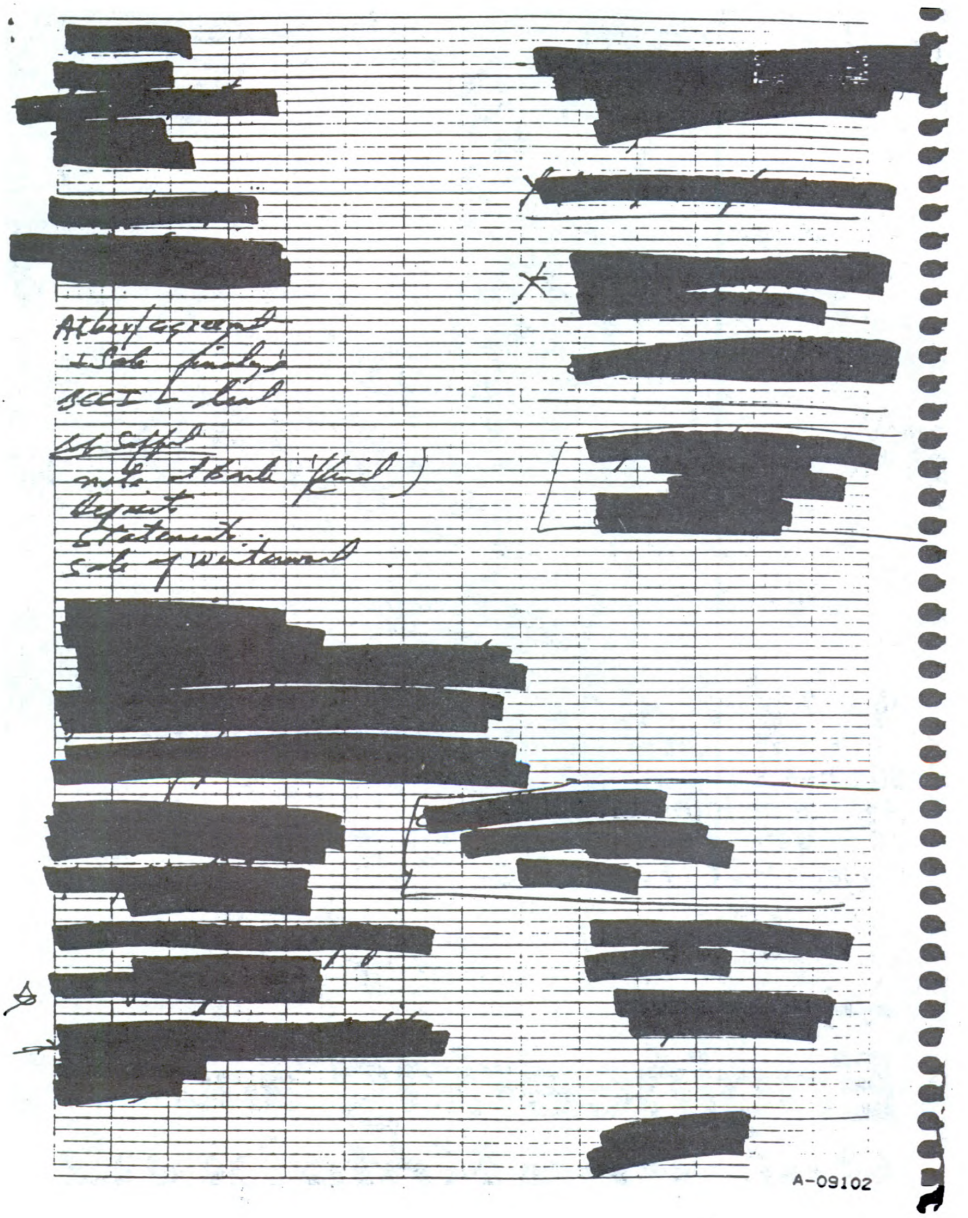
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A-09101


A-09102

Arthur -
Shawn
Louis Moore
Performance Const.

Neil B
301 AT&T completed 6 Transponders
3 additional in 7 days notice. Completed

$2 K 5-6 Transponders
($11-12 Transponders in all)

5% letter on WTKS on contract
on long Termagreement
Stock full team will commit

A-09103

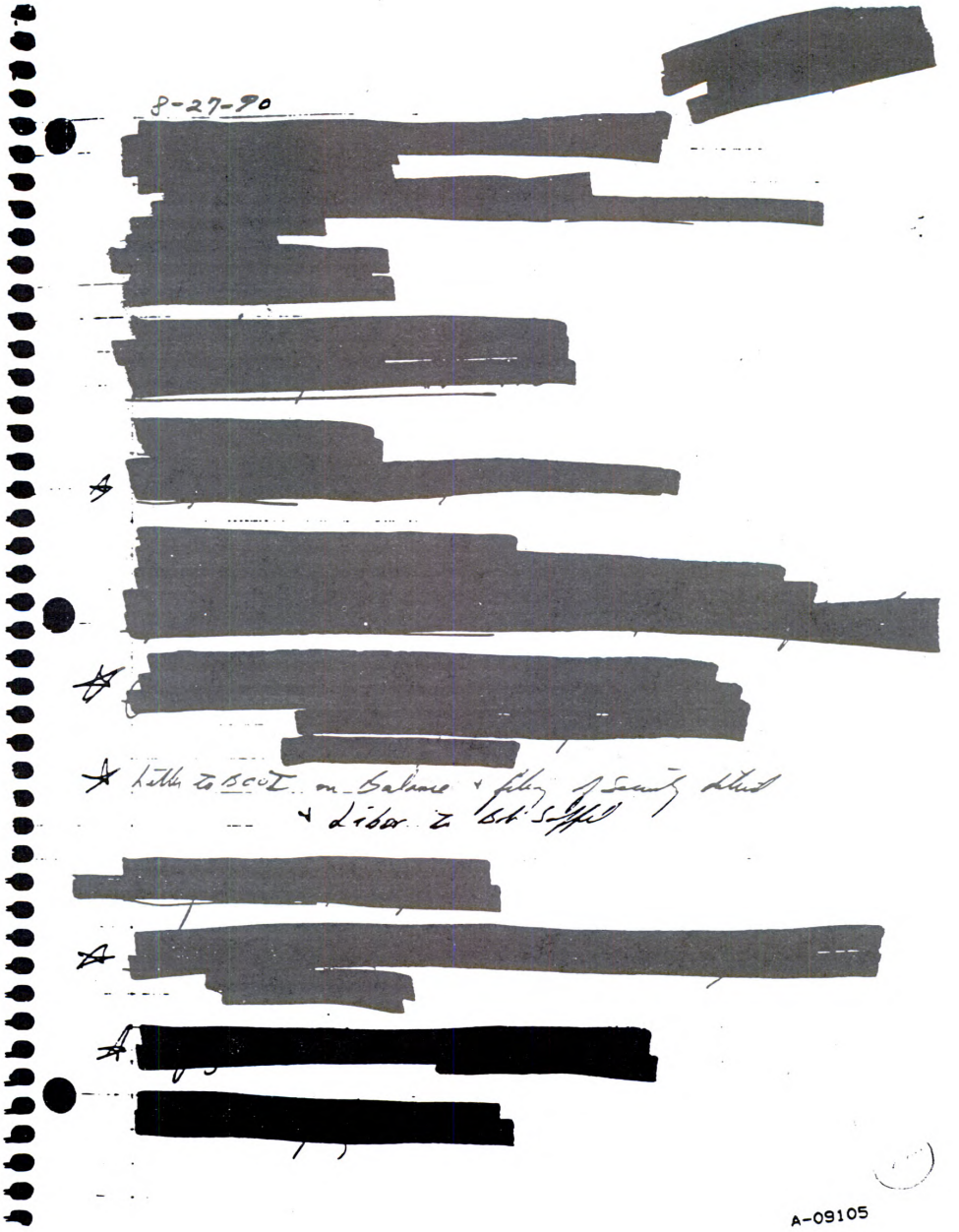
July 1 to January 30 '91

0 73333 33706 8

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College Ruled White Paper
Single Subject
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33-706
100 Sheets/11 x 8½
A-09104


8-27-90
Letter to Scott on Salvage + filing Security Interest
+ Labor Z Bill Stiffel

A-09105

580



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A-09084

[redacted]

[redacted]

Call - [redacted]
- Kenny Fox / ABSbar
- Hayes
Bernie McConville
Schedule by meeting / Blair
Touch in

Comerica Bank / Fox

Grand Bank in Texas
Trent Hopkins - 214-991-9451
4 mm line of credit on Kenneth

[redacted]

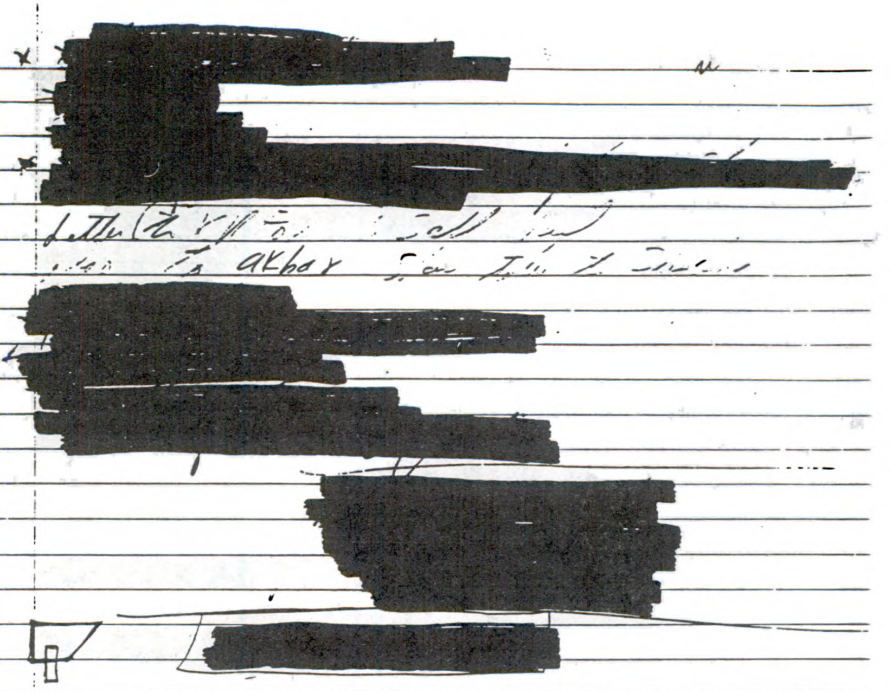
[redacted]

A-09085

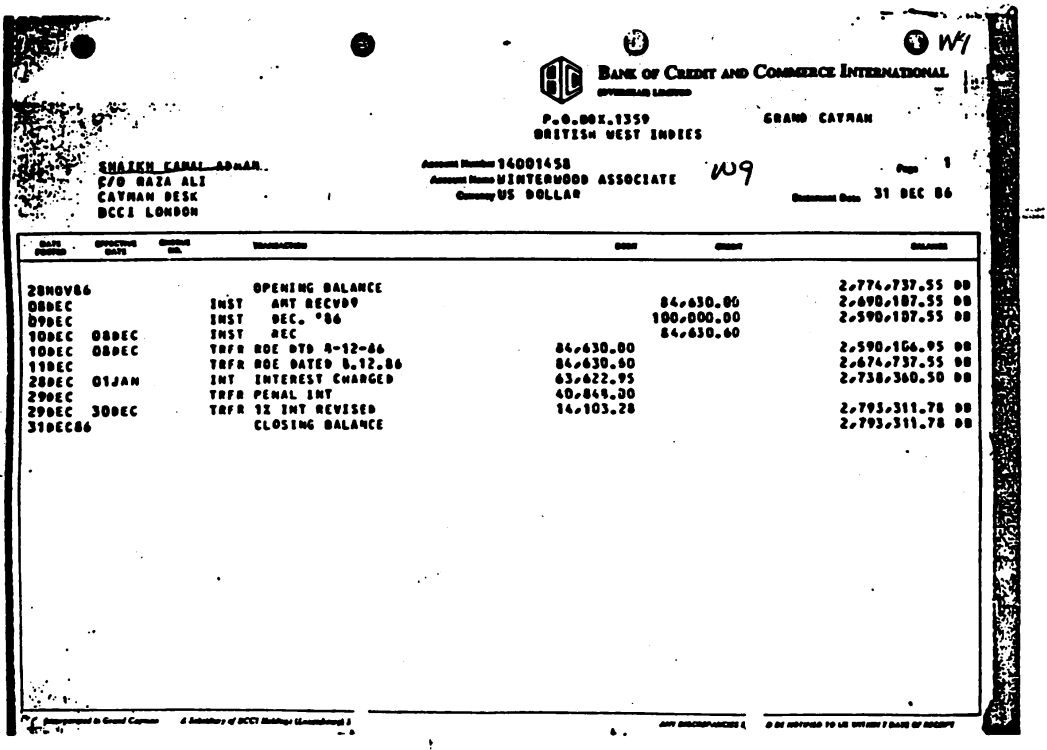
August 21 John

ASBC regulatory action Ind of Jan. exchange
can't do futures / fx options, can do FX
cost recvd to paid by Capcom
CBOT took Capcom off of the Exchange
asleep down all other cost down
next set of accounts to be published in Govts
Hurtled Anderson had $100mm liability
Nothing to do with company but Akbar
V Aug 1988 Yasir / sultan of Oman / acct
/ Saudi Gulf

Ms Akbar
Sandra 393-6683



A-09087



BANK OF CREDIT AND COMMERCE INTERNATIONAL

P.O.BOX.1359 GRAND CAYMAN
BRITISH WEST INDIES

W1

SHAIKH KAMAL ADHAM
C/O RAZA ALI
CAYMAN DESK
BCCI LONDON

Account Number 14001458
Account Name WINTERWOOD ASSOCIATE
Currency US DOLLAR

W9

Page 1
Statement Date 31 DEC 86

DATE POSTED	EFFECTIVE DATE	ORIGINAL CCY.	TRANSACTION	DEBIT	CREDIT	BALANCE
28NOV86			OPENING BALANCE			2,774,737.55 DB
08DEC		INST	AMT RECVD9		84,630.00	2,690,107.55 DB
09DEC		INST	DEC. '86		100,000.00	2,590,107.55 DB
10DEC	08DEC	INST	REC		84,630.60	
10DEC	08DEC	TRFR	BOE DTD 4-12-86	84,630.00		2,590,106.95 DB
11DEC		TRFR	BOE DATED 8.12.86	84,630.60		2,674,737.55 DB
28DEC	01JAN	INT	INTEREST CHARGED	63,622.95		2,738,360.50 DB
29DEC		TRFR	PENAL INT	40,849.30		
29DEC	30DEC	TRFR	1% INT REVISED	14,103.28		2,793,311.78 DB
31DEC86			CLOSING BALANCE			2,793,311.78 DB

Incorporated in Grand Cayman — A Subsidiary of BCCI Holdings (Luxembourg) S.A.

ANY DISCREPANCIES — TO BE NOTIFIED TO US WITHIN 7 DAYS OF RECEIPT

STRICTLY PRIVILEGED & CONFIDENTIAL
PRODUCED FOR LEGAL ADVICE

WINTERWOOD, CHARLES HOWARD GROUP

INDEX

I HISTORY AND BACKGROUND

II BALANCE ANALYSIS SUMMARY

III ACCOUNT SUMMARIES

- Winterwood Associates
- Amigo Farms
- Dr Charles Howard

IV SECURITY POSITION

V PERSONNEL INVOLVED

VI SUMMARY OF RECOVERY POSITION

VII PROPOSED FURTHER WORK

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WINTERWOOD, CHARLES HOWARD GROUP

I HISTORY AND BACKGROUND

The Winterwood, Charles Howard borrower group comprises three accounts maintained at BCCI (Overseas) - Grand Cayman:

Winterwood Associates	(14001458)
Amigo Farms	(11005616)
Dr Charles Howard	(11003523)

The common factor linking these accounts is the involvement of Larry Romrell, a Colorado businessman and Chairman of the Board of Capital Commodity Dealers Ltd (CAPCOM). The role he played in each of the borrowings was as follows:

Winterwood Associates (Larry Romrell, Bob Magness, Bob Saffell)	-	Principal partner in a three partner association developing property in Colorado.
Amigo Farms (Larry Romrell, Bob Magness, Robert Ehrlich)	-	Principal partner in a three partner association speculating on land in Colorado.
Dr Charles Howard	-	Romrell was a partner in the Fox-Romrell partnership which built the holiday home in Vail, Colorado bought by Dr Howard.

Moreover, until late 1989 almost all correspondence between BCCI, the two partnerships and Dr Howard took place through Larry Romrell who acted as an intermediary - there rarely being any direct communication with the other partners or Dr Howard.

This arrangement becomes significant when considered in conjunction with the fact that the drawdowns on all three loans were authorised by either Ziauddin Akbar or M Saghir, of BCCI Treasury, who were key officials involved in CAPCOM. It is also evident that proper credit approval procedures were not followed in granting these loans and that Ziauddin Akbar personally monitored the balances in the early period to 1986.

There is also evidence from the documentation reviewed that Larry Romrell was in contact with and often personally entertained AR Khalil (see below for further details).

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Details available about the other borrowers include:

Dr Charles Howard	-	Medical Director of Houston Northwest Medical Centre and a prominent personality in Houston.
Bob Magness	-	A wealthy Colorado businessman who runs a cable communications empire and in 1987 reportedly had a net worth of $325 million.
Bob Saffell	-	A successful real estate salesman in Colorado who is credited with arranging the condominium purchase for Winterwood Associates.

Involvement of AR Khalil

The involvement with Khalil is primarily historical, being prior to the granting of the loan to Winterwood. The sequence of events was as follows:

May 1979	-	AR Khalil purchases a residence "Sea Dunes" in Florida through Maram Trading Co. Kerry Fox is given power to act on the purchase in Khalil's absence. It appears that Fox knew Khalil in Saudi Arabia during the 1970's when he was involved with construction projects in the region. It is interesting to note that Fox lived in Windermere, Florida, USA, which is also the trading address for Maram Trading Co and that in certain instances his business address was the same as that of Maram Trading Co.
May/June 1979	-	AR Khalil through Khalil Investment and Trading Company SA purchases lots 42 - 50 of Lakeside Village, Rockwall County, Texas from a Mr and Mrs Banks. Although several attempts have since been made to sell this property it appears to still be owned by Khalil Investment and Trading Company, and is being maintained by the Fox-Zinola Partnership (Kerry Fox and a EP Zinola)

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The property appears to be very unprofitable, not having been let or sold for several years and incurring substantial maintenance charges, totalling in excess of $200,000. These costs have been borne by the bank and not recharged to Khalil Investment and Trading Company.

In May 1990 in a memorandum to Fakhir Hussain at Central Credit in London Mr Bande Hassan of BCCI (OS) Cayman raised questions regarding why the property had not yet been disposed. The matter appears still to be under review.

1981-1983 c.

- The Fox Romrell Partnership (Kerry Fox and Larry Romrell) obtain some $900,000 of BCCI funds to build a house at Beaver Creek, Vail, Colorado. (Larry Romrell subsequently became a partner in both Winterwood Associates and Amigo Farms.)

Upon completion this property was sold to Dr Charles Howard for $2,100,000 with BCCI (Overseas) Limited, Grand Cayman providing the loan for this amount to Dr Howard. Effectively the Fox-Romrell debt was transferred to Dr Howard, with the bank not receiving repayment of the original funding.

In addition to this historical connection with Khalil one other unusual link is a series of transfers made out of and back into the Winterwood Associates funding around the year end 1985.

Two amounts of $1 million were credited to this account from Bank America International, New York prior to 31 December 1985. Subsequently, on 2 January 1986, one amount of $1 million was transferred to First Interstate Bank favouring Larry Romrell and another of $1,018,750 transferred to account number 01024628 of Mr AR Khalil with BCCI. Ziauddin Akbar and K Muneer were involved in authorising both transfers.

The 01024628 account has been identified from our investigation into treasury operations as a London treasury 'pool' account.

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WINTERWOOD, CHARLES HOWARD GROUP

II BALANCE ANALYSIS SUMMARY

The balances outstanding on the three accounts of the borrower group, as at 31 December 1990 were:

	Winterwood Associates $000	Amigo Farms $000	Dr Charles Howard $000
Balance outstanding	3,791	293	2,460
Interest in suspense	(1,007)	(77)	(746)
Provisions	(785)	-	-
	1,999	216	1,714

All exposure being funded.

For a detailed analysis of each account see Section III.

III ACCOUNT SUMMARIES

Winterwood Associates Inc

	31 December 1990 $000
Account balance	3,791
Interest in suspense	(1,007)
Provisions held	(785)
	1,999

Interest has been suspended since 1 January 1988. The original loan for $2.1 million granted in January 1984 was for the purchase of 14 condominiums in Colorado. We have not seen evidence to support either the purchase or the purchase cost.

There have been 5 receipts on the account totalling $383,000, the last being for $125,000 in March 1988. The remainder of the balance comprises rolled up interest of $2,008,000 and charges of $43,000.

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Winterwood has for several years disputed the interest charged to the account and complained of poor statements. The bank have decided that the group has a substantiable claim and have agreed to reverse some $414,000 of rolled up interest as at 30 June 1990, if the group resume service of the debt.

The provision of $785,000 was booked at 31 December 1989 in order to bring the net outstanding to the level of personal guarantees given by the three partners in the association, $2,030,000. However there is some doubt as to the value of these guarantees (see IV Security Position).

1. Nature of lending and use of the account

The initial intention was that the Winterwood partnership would provide a Deed of Trust on the 14 condominium units, to act as security for the bank. This failed to materialise and as the enforceability of the personal guarantees given is questionable, the lending could be considered to be clean.

Review of account movements indicates that the funding is straight forward and that the current balance is based on the original drawdown, some repayments from the sale of one condominium and interest and service charges.

Two unusual transactions were noted:

(1) The statement for 30 September 1985 shows a balance owing of $2,549,000 at the month end. However, the opening balance on the October statement is shown as nil, and is followed by an entry on 10 October, back dated to 30 September, debiting the account $2,554,000. Although not a significant net movement it does raise questions regarding the integrity of the account statement system.

(2) There appears to have been some attempt to manipulate the account balance at 31 December 1985. On both 16 October 1985 and 29 November 1985 amounts of $1,000,000 were credited to the account, the transfers being from BCCI London Foreign Exchange (Treasury) account number 4.85.86050 with Bank America International, New York. The authorities for these transfers were signed by Saghir, Ziauddin Akbar and K Muneer.

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Subsequently, post the year end, on 21 January 1985, an amount of $1,000,000 was transferred out to the favour of Larry Romrell, via First Interstate Bank of Denver account number 8513425 and a further amount of $1,018,000 was transferred out to account number 01024628 of AR Khalil with BCCI. Again these transfers were authorised by Ziauddin Akbar and K Muneer.

The involvement of Larry Romrell (Chairman of CAPCOM), Saghir and Ziauddin Akbar (BCCI Treasury and CAPCOM) raises concern about the nature of these transactions. There is the possibility that the $2 million movement through the account served a dual purpose:

(1) To suggest that the account was operative prior to the year end audit.

(2) To channel funds through to AR Khalil treasury 'pool' accounts. The use of these accounts is discussed more fully in a separate report on AR Khalil and the treasury division.

Further investigative work on Treasury operations will be required to ascertain the true nature of these transactions.

2. Interest and charges

Actual interest charged to the account during the seven years since the original drawdown totals $2,008,000, at an average rate of 10.3%. This is based on a 1% margin on LIBOR as quoted by BCCI. However Bob Saffell of the Winterwood partnership was dissatisfied with the LIBOR rate quoted by BCCI as he found this to be substantially different to those quoted by US banks (varying by +3% to -2%).

After some communication Mr Sharaf Al Hassan of BCCI Grand Cayman wrote to the partnership on 19 September 1990, agreeing to a recalculation of interest, for the whole period of the loan, based on IMF rates. This would result in a repayment of $414,000 of interest charges up to 30 June 1990.

The partnership have not however replied accepting this amount or agreeing to the revised outstanding balance.

The account also includes $43,000 of rolled up service charges during the life of the loan, after reversal of $83,000 of charges in October 1988.

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WINTERWOOD, CHARLES HOWARD GROUP

3. Recent developments

Mr M Hancock and Mr Masud Naqvi, both of the Miami office visited Colorado to meet with Larry Romrell and Bob Magness on 5 December 1990 to discuss the lending to both Winterwood Associates and Amigo Farms. The outcome of this meeting was that:

(i) The Winterwood partnership would try to sell the remaining 13 condominiums within 90 days, i.e. by 7 March 1991.

(ii) If a reasonable offer was not obtained within this period, Winterwood would effect Deeds of Trust in favour of BCCI for each condominium.

(iii) "All effort" would be made to settle the Amigo Farm debt.

(iv) That the partnership would confirm their agreement to the recalculated outstanding by 31 December 1990.

From recent discussion with the account officer in Grand Cayman, we understand that Winterwood have not sold the condominiums, and further that the bank is still awaiting confirmation by the partnership of their acceptance of the recalculated balance outstanding.

4. Authorisations and facility approvals

The initial drawdown on the account of $2.1 million was authorised by Ziauddin Akbar and Saghir, the amount being credited to Larry Romrell, account number 8513425 of First Interstate Bank of Denver, on 18 January 1984. Evidence has yet to be seen that prior approval was obtained from the Central Credit Committee - the earliest signed approval by the Committee on file is dated October 1986.

With the exception of the flow through of $2 million in 1985 - 86 noted above, there have been no other drawdowns or authorisations for transfers. The latest Central Credit Committee approval obtained in August 1990 was for a facility renewal of $4 million to 31 December 1991.

5. Statement Handling

It is apparent from correspondence reviewed that most communication took place between Ziauddin Akbar and Larry Romrell. There is no correspondence with either of the other partners, Bob Saffell or Bob Magness. It is conceivable therefore that if the account may have been used for 'unusual' purposes, of which the other partners were not aware.

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From drawdown in January 1984 to May 1986 the statements were sent to M Saghir in London, and therefore it is possible that the Winterwood partnership did not receive these. This may also have been the case from June 1986 to April 1987, when the statements were addressed to Mr Razi Ali at the Cayman desk in London under the name of Sheikh Kamal Adham and Gad, although no connection has been found with these borrowers. Statements subsequent to that date do not have a 'send to' address on.

In light of the fact that Bob Saffell did not notice the overcharging of interest until 1989 and that one of the main reasons given by the partnership for not servicing the debt was the poor record of statement receipt, the handling of statements remains questionable.

6. Balance confirmations

No recent confirmations of balance on the account were found. It would appear that as a result of the poor receipt of statements and the dispute over interest charges the partnership have been reluctant to agree the amount notified by the bank.

AMIGO FARMS

	31 December 1990 $000
Account balance	293
Interest in suspense	(77)
	216

A $300,000 facility was originally granted to the Amigo Farm partnership in June 1984, with an initial drawdown of $50,000. This was repaid in December 1984 and a further amount of $150,000 was drawndown in May 1985.

The facility was granted to enable the partnership of Larry Romrell (Winterwood), Bob Magness (Winterwood) and Bob Ehrlich to purchase farmland of 260 acres in Milliken, Colorado. Subsequent to the drawdown in May 1985, there have been no other drawdowns or repayments. The present account balance comprises $150,000 principal, $140,000 interest rolled up and $3,000 charges.

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1. Nature and use of the account

No documentary evidence could be found on the files that the land was ever purchased. In fact, the two amounts drawndown of $50,000 and $150,000 would appear to be highly irregular round sum amounts given the intended use of the facility.

The known connection between Larry Romrell, as Chairman of CAPCOM and M Saghir and Ziauddin Akbar, would suggest that the funds may have been used as payments to Romrell or for other irregular purposes. However, evidence or acknowledgement of such use could not be found. The Treasury investigation presently underway may provide further insight.

The only security the bank would appear to have is a blank guarantee signed by the three partners in June 1984.

2. Interest and charges

The current outstanding includes $133,000 of rolled up interest which equates to approximately 11% over the period of the loan. As with the loan to Winterwood Associates, the partnership has questioned the LIBOR rate used in interest calculations by BCCI and as a result the bank have agreed to refund $30,000 of interest, based on the balance at 30 June 1990.

Other account charges amount to $3,000.

3. Recent developments

Recent correspondence regarding the account has been remarkably sparse, and often takes the form of an after thought in communication concerning the much larger Winterwood Associates debt. As the loan is effectively clean lending, the bank has little leverage. There is no cross lien between this debt and the possible security afforded in the case of the Winterwood loan, by way of the condominium properties.

At the meeting which took place between Mr Hancock of BCCI Miami, and partners Larry Romrell and Bob Magness on 5 December 1990, it was agreed that the partners would review the situation and make "all efforts" to settle the debt in full.

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4. Authorisation and approval

Authorisation for the initial drawdown was given by M Saghir. The earliest signed approval is dated October 1986 and suggests a facility of $188,000. As the facility is not large there is no formal Central Credit Committee approval.

5. Statement handling and balance confirmation

This mirrors exactly that of Winterwood Associates. All correspondence, except in recent times, took place between Ziauddin Akbar and Larry Romrell. Since late 1989 Fakhir Hussain has been the main contact at the bank.

From drawdown to May 1986, statements were sent to M Saghir, and subsequently between June 1986 and April 1987 to Mr Razi Ali at the Cayman desk in London. The statements do not have addresses after this date.

Customer correspondence again indicates that statement receipt was poor.

Balance confirmations by the partnership were not found during the documentation review.

Charles Howard

	31 December 1990 $000
Account balance	2,460
Interest in suspense	(746)
	1,714

Interest on this lending has been suspended since 1 January 1988.

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WINTERWOOD, CHARLES HOWARD GROUP

The original loan made on 8 February 1983 comprised:

	$000
Assumption of Fox-Romrell debt	909
New moneys lent	1,091
Amount lent	2,000
Note to Vail Beaver Creek Realty	100
	2,100

The purpose of the loan ($2 million) was to purchase a property at Vail, Beaver Creek, Colorado.

This included Dr Howard assuming two loans extended to the Fox-Romrell partnership of Kerry Fox and Larry Romrell, who it would appear were the developers of the property. These loans comprised:

	$000
11002248 Fox Romrell	793
11002931 Fox Romrell	116
	909

(A further Fox Romrell debt $554,000, account number 11003216, was also paid off two weeks later, although no connection has yet been found with Howard or Winterwood.)

A total of $1,288,000 was subsequently received on the account, the last repayment being $685,000 in November 1986. Under the original terms of the lending the loan was for a fixed period of 6 months, repayable in August 1983. Full repayment was never obtained, although Howard made a repayment of $524,000 in September 1983.

It would appear that Dr Howard - who had several property investments - was badly affected by the real estate collapse in the region, following close upon the oil problems in neighbouring Texas.

No provision has been booked against the debt to date, the last valuation provided by the bank estimated the property to be worth $2,590,000.

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1. Nature of lending and use of account

The initial impression obtained from a review of the account is that lending is secured on property, where repayment was satisfactory in the early months but the debtor subsequently defaulted due to personal hardship as a result of market conditions.

The account however has certain unusual aspects:

(1) The level of correspondence with Dr Howard is surprisingly low for a debt of this magnitude and term. Moreover, up until 1990 communication regarding the loan was made through Larry Romrell, a partner of Winterwood Associates and Chairman of CAPCOM.

(2) In addition to utilising $909,000 of the initial drawdown to repay Fox Romrell loan accounts in Grand Cayman, the remaining $1,091,000 was credited to BCCI SA Leadenhall Street, London. The implication is that Leadenhall Street transferred the funds to Bank of Vail Colorado, account number 509183 of Trans America Title Company. This is a slightly unusual routing.

(3) In its early years the account appears to have been personally looked after by Ziauddin Akbar of the Treasury Division (as with other loans in this borrower group) rather than a member of the Credit Department.

(4) There is a poor level of documentation supporting the numerous drawdowns, often for round sums of hundreds of thousands of dollars, totalling $1,288,000, received in the early months of the account.

(5) Two credits, one of $75,000 and another of $100,000, were received in September 1984. A handwritten letter from Dr Howard indicates that he had remitted the $75,000 in December 1983 and the $100,000 in May 1984. Ziauddin Akbar replied suggesting the delay was due to Bank of America, New York not informing BCCI of the beneficiary.

In view of Akbar's close involvement with CAPCOM, and the possibilities of payoffs to Larry Romrell and other individuals involved with it, the use of this account remains questionable until a clearer picture of the Treasury operation emerges.

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A possible scenario may well be that the property was sold to Howard for $1,091,000 and the remaining $908,000 was a write-off of Fox Romrell debt or for use by treasury, which Howard consented to include in his debt on a nominee basis. In fact if the repayments received in the early months totalling $1,288,000 were assumed to be servicing a debit of $1,091,000 and not $2,000,00, the resulting balance on the account would be almost nil.

If this were the case then Dr Howard may consider that he has repaid the debt, and the outstanding may not be recoverable.

3. Recent developments

During 1990 Fakhir Hussain was in frequent contact with Dr Howard to obtain repayment of the debt. This culminated in August 1990 with a request from Fakhir Hussain that Howard provide evidence that he had been satisfactorily maintaining the property, had paid all fees and taxes, had obtained proper insurance cover and was genuinely attempting to sell the property.

These documents were duly received and after review by T Hancock of BCCI Miami, who had been closely involved with the Winterwood Associates debt, the bank decided to extend the repayment date to 30 September 1991. This decision was primarily based on the improvement in property prices and business in the Beaver Creek, Colorado area last year.

4. Authorisation and approval

Authorisation for both the initial remittance of $1,091,000 and the adjustment of the two Fox-Romrell accounts totalling $908,000 was provided by Ziauddin Akbar. The $1,091,000 transfer was also authorised by K Muneer. There have been no subsequent drawdowns.

The earliest Central Credit Committee approval found was dated 5 February 1983 and sanctions a loan of $ 2 million up to 28 February 1986. The latest extends a facility of $2,250,000 to 31 March 1991.

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5. Statement handling and balance confirmations

From drawdown to May 1986 the statements were sent to Ziauddin Akbar, and as with the other accounts in this borrower group Raza Ali at the Cayman Desk in London received the statements from June 1986 to April 1987, under the names of Sheikh Kamal Adham and A Gad, although there does not appear to be any connection with these other borrowers. Given the low level of correspondence with Howard, it is difficult to ascertain whether he actually received the statements.

Confirmations of balances for audit purposes signed by Howard were not found in the documentation reviewed, however recent correspondence indicates that he recognises the debt.

IV SECURITY POSITION

The current security available on the three loans is as follows:

Winterwood Associates

A personal guarantee signed by the three partners, Larry Romrell, Bob Magness and Bob Saffell.

There is some doubt over the enforceability of the guarantee given that details have been left blank. However, legal advice sought from external lawyers Holland and Knight and BCCI's own internal legal department suggest that an intention to construe a guarantee probably could be proved.

When the loan was initially granted the intention appears to have been to obtain Deeds of Trust on each of the 14 condominiums. However due to the urgency of the financing this was overlooked.

Recently the bank has been pressing Winterwood to effect Deeds of Trust for each of the remaining 13 condominiums, and in December 1990 it was agreed that if the properties had not been sold by 7 March 1991, Winterwood would commence such a procedure. We understand that the sale has not occurred and that the bank is currently re-evaluating its position.

Winterwood stated, at the December 1990 meeting, that the best recent offer they had for the property was $1.7 million. This would imply that a further $300,000 would need to be written-off the debt.

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Amigo Farms

The only security available for this debt is again a blank personal guarantee form singed by the three partners, Larry Romrell, Bob Magness and Robert Ehrlich. External legal advice sought by the bank suggests that it is probable that an intention to construe a guarantee could be proved.

As Bob Magness appears to be a wealthy businessman, whose connections include Ronald Reagan and Ed Koch (ex mayor of New York), the guarantees could prove of good 'nuisance' value at the very least.

Charles Howard

Three forms of security were obtained prior to the granting of the $2.1 million facility to Dr Howard:

(1) A mortgage over the property at Beaver Creek, Vail, Colorado, being purchased by Dr Howard.

(2) A mortgage deed over a second property - a duplex at Potato Patch, Vail, Colorado - owned by the Fox-Romrell partnership.

(3) A personal guarantee of $2,000,000 from Dr Howard.

The second of these securities, the mortgage over the Fox-Romrell duplex was arranged by BCCI because Howard refused to invest any of his own money in the purchase of the house. However under the terms of this mortgage, the security was to be released upon receipt by BCCI of $400,000 against the lending. As a repayment was made to the account of $500,000 in September 1983, BCCI were forced after some legal pressure from lawyers representing the Fox-Romrell partnership to release the Mortgage Deed over this property in 1990.

With regard to the other securities, legal advice sought from Holland and Knight and BCCI's own legal department concluded that:

(1) The legal language of the mortgage deed over the Beaver Creek property appears to be English Law and therefore its enforceability may be questionable under Colorado State law. However, the bank is likely to be able to show that there was an intention by Dr Howard to create a security interest in favour of BCCI.

(2) The personal guarantee does not add significantly to the security provided by the mortgage, although it will have some nuisance value.

Dr Charles Howard's net worth was quoted as $46.5 million in 1989, and an independent valuation of the property in 1989 placed a price of $2.59 million.

V PERSONNEL INVOLVED IN BCCI

Listed below are the BCCI officials involved in authorising and supervising the Winterwood, Charles Howard group of accounts over the period of their existence and the roles they played:

Ziauddin Akbar	- The main official involved with the Winterwood Associates, Amigo Farms and Charles Howard lending. Close connections with Larry Romrell (though CAPCOM) and previously with Kerry Fox (of American Telecommunications Corp) in funding Fox-Romrell construction and Fox-Zinola partnership.
M Saghir	- Close contact with Larry Romrell (through CAPCOM) and involvement in the authorisation of initial drawdowns on these borrower group accounts.
K Muneer	- Authorising officer, usually as a second signatory, on early lending and transfers. Worked for Ziauddin Akbar in Treasury Division.
Fakhir Hussain	- Credit Officer for these accounts from 1989 to late 1990, directly corresponding with Larry Romrell and Charles Howard to try to obtain repayment or service of debt.
Bande Hassan	- Involved in 1990 in reviewing and monitoring recovery of the debts at the Cayman end, where the accounts are located.
Masud Naqvi	- Credit officer at BCCI (Overseas) Grand Cayman now responsible for the loans.
Jamil Khan	- Involved with Fox-Zinola partnership in the rental of the Lakeside property in Texas, for Khalil Investment and Trading Company.
Saraz Khan/ Sarafaraz Khan	- Involved with Fox-Zinola partnership in rental of Lakeside property.

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WINTERWOOD, CHARLES HOWARD GROUP

VI SUMMARY OF RECOVERY POSITION

The recovery position on the three loans is dependent to a large degree on the connection with Treasury financing and AR Khalil accounts.

Considering the accounts individually the Amigo Farms and Charles Howard loans appear to have a greater probability of being Treasury related and therefore recovery on these may be limited or even nil. However, if the Charles Howard loan is bona fide then recovery could be substantial based upon the property's value and the mortgage in force. In contrast, recovery on the Amigo Farms loan maybe doubtful, although the personal guarantees will have nuisance value.

The Winterwood debt appears to look more hopeful. Although the best offer for the property falls short of the outstanding by $300,000, utilisation of the initial drawdown for Treasury purposes appears less likely. Given the recent general upturn in the US economy, if Deeds of Trust are effected for the condominiums, recovery of the debt may well be possible.

VII PROPOSED FURTHER WORK

(1) It will be necessary to clearly identify Larry Romrell's connection with the activities of CAPCOM and whether drawdowns from Winterwood went through his own personal account at First Interstate Bank of Denver and on to Treasury at BCCI.

(2) Obtain independent valuations of both the Winterwood and Charles Howard properties.

(3) Obtain an update on the success of recent attempts to sell the properties by Winterwood and Howard.

(4) Obtain confirmations from the parties concerned of their liabilities.

(5) Obtain local Colorado legal advice regarding the enforceability of the personal guarantees (and mortgage in the case of Charles Howard).

AMERICAN
TELECOMMUNICATIONS
CORPORATION

KERRY R. FOX
Chairman of the Board &
Chief Executive Officer

January 29, 1987

FEDERAL EXPRESS AIR

Mr. Ziauddin Akbar
22 Basing Hill
Golders Green
London, England NW11 8TH

Dear Mr. Akbar:

Thank you very much for the time we were able to spend together when I visited London last week. I particularly enjoyed our pleasant evening together the night we had dinner with your family.

The discussion we had on the possibility of listing your company on NASDAQ and the possibility of my assisting you in taking your company public was most enjoyable. There is no question that a company that has shown three years of profit, as you have, would have a very substantial market valuation. There are some things that you would have to do to accomplish this and I would be glad to help you when you are ready. There is probably no better time than the present, given the condition of the U.S. and foreign stock markets this past month. Perhaps this would have some bearing on your decision as to when this would be most appropriate.

I have taken the liberty of enclosing a draft of the invoice which Mr. Marshall Swartwood needs from you for the funds that were remitted to you last July. You can either use the form I have attached or have it retyped on your own personal or company stationary. Then sign the invoice and send it directly to Mr. Swartwood in the envelope I have provided.

I have signed and had notarized both the Promissory Note for $250,000 U.S. Dollars and the Warrant for 50,000 shares of ATC stock, which I showed to you during our last meeting. As soon as you return from Cairo, I would appreciate your transferring the $250,000 to me in Dallas, for the account of ATC. My secretary, Kitty, will be in touch with you to detail how this may best be accomplished. Once we receive the funds, the completed Note and Warrant will be Federal Expressed to you at your home address. These will be originals, not copies, and should be kept in a safe place. Kitty will keep copies of these documents in her file here in Dallas, should you ever need them.

I sincerely appreciate your continued interest in American Telecommunications Corporation and your willingness to support us with your loan at this time. I look forward to meeting with you again at the earliest opportunity.

Sincerely,

Kerry R. Fox

KRF:kk
Enclosures

ATC AMERICAN TELECOMMUNICATIONS CORPORATION

KERRY R. FOX
Chairman of the Board
& Chief Executive Officer

February 5, 1987

FEDERAL EXPRESS

Mr. Ziauddin Akbar
Futures Advisory Services Limited
FAS House
107 Grays Inn Road
London, England WC1X 8TZ

Dear Mr. Akbar:

Thank you for calling back this morning when you found I was at home ill. Hopefully I will only have to be out of the office one or two more days.

Confirming our telephone conversation of this morning, both the Promissory Note in the amount of $250,000.00 U.S. Dollars and the "C" Warrant for the purchase of Fifty Thousand (50,000) shares of American Telecommunications Corporation stock at $3.00 (U.S.) per share for a period of three (3) years, will now be made out in the name of Futures Advisory Services Limited, as you requested.

I am enclosing a copy of the revised Promissory Note which I think will answer all of your questions regarding the Promissory Note. As I indicated to you earlier, I have shown the Promissory Note to be due and payable on June 1, 1988 or upon the receipt of proceeds by the Company from any public offering and sale of the Company's securities. This will permit us to carry this Promissory Note in the long term section of our balance sheet. Also note that the Promissory Note shows interest accrued at an annual rate of seven percent (7%).

THE MADISON BUILDING • 15851 DALLAS PARKWAY • SUITE 1120 • DALLAS, TEXAS 75248 • PH. (214) 934-9500

When you send your check in the amount of $250,000.00 (U.S. Dollars), made payable to: American Telecommunications Corporation, please send the check to: Kerry Fox, c/o American Telecommunications Corporation, 15851 Dallas Parkway, Suite 1120, Dallas, Texas, U.S.A. 75248. I will then send both the completed Promissory Note and Warrant to you by return Federal Express mail.

I sincerely appreciate your continued interest and support of American Telecommunications Corporation and look forward to talking to you soon.

Sincerely,

for Kerry Fox

Kerry R. Fox

KRF:kk
Enclosure (Copy of proposed Promissory Note)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND CANNOT BE TRANSFERRED OR SOLD WITHOUT REGISTRATION UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR THE AVAILABILITY OF AN EXEMPTION THEREFROM SATISFACTORY TO THE COMPANY AND ITS COUNSEL. THE HOLDER OF THIS WARRANT ACKNOWLEDGES THAT THIS WARRANT WAS ACQUIRED SOLELY FOR INVESTMENT AND NOT WITH A VIEW TOWARD THE DISTRIBUTION HEREOF.

"COPY"

AMERICAN TELECOMMUNICATIONS CORPORATION
UNSECURED PROMISSORY NOTE

February ___, 1987

FOR VALUE RECEIVED, the undersigned AMERICAN TELECOMMUNICATIONS CORPORATION, a corporation organized under the laws of the Province of British Columbia, Canada (the "Company"), hereby promises to pay to FUTURES ADVISORY SERVICES LIMITED (the "Payee"), the principal lawful money of the United States of America. The entire principal balance of this Note, with interest accrued at an annual rate of seven percent (7%), shall be due and payable on the earlier of (1) June 1, 1988, or (2) the receipt of proceeds by the Company from any public offering and sale of the Company's securities.

The principal amount of this Note is prepayable, without premium or penalty, at the option of the Company, at any time and from time to time in whole or in part.

All payments by the Company on account of principal of or interest on this Note shall be made by check at the principal office of the Company, upon presentation of this Note for notation hereon of such payment (or if such payment represents the final payment, whether at maturity or otherwise, of this Note, upon surrender of this Note for cancellation).

There shall occur an "Event of Default", if the Company shall default in the payment of any installment of principal or interest on this Note when the same shall become due and payable and such default shall continue for more than 30 business days after the Company has received notice of such default.

If an Event of Default shall occur and shall not be cured, or begun to be cured, as the case may be, within the applicable grace period set forth above, then the Payee may, at his option, by notice to the Company, declare the entire unpaid principal balance of this Note, and all unpaid accrued interest thereon to be due and payable, and upon the receipt of such notice by the Company, the same shall become due and payable forthwith.

All notices and other communications hereunder shall be sufficiently given to the Company if, in writing, sent by first class certified or registered mail, return receipt requested, postage prepaid, to American Telecommunications Corporation, 15851 Dallas Parkway, Suite 1120, Dallas, Texas 75248, Attention: Mr. Kerry R. Fox, President, or to such other officer of the Company as it may designate in writing to the Payee, with a copy thereof to Messrs. Greenberg Irwin & Weisinger, P.C., Attn: Stephen Irwin, Esq., 540 Madison Avenue, New York, New York 10022. All notices or other communications hereunder shall be deemed given when received by the addresses thereof or its authorized agent.

IN WITNESS WHEREOF, this Note has been duly executed and delivered by the duly authorized officers of the Company.

AMERICAN TELECOMMUNICATIONS CORPORATION

BY:_____
Kerry R. Fox, President

[Corporate Seal]

ATTEST:

"COPY"

_____
Signature

_____
Name Printed

02/AMTEL4



June 3, 1987

Ms. Debbie Burden
British Columbia Securities Commission
Province of British Columbia
Superintendent of Brokers
865 Hornby Street
Suite 1100
Vancouver, British Columbia
Canada V6Z 2H4

RE: Mr. Syed Ziauddin Ali Akbar
22 Basing Hill
Golders Green
London, England NW11 8TH

FILE NO. 065368

Dear Debbie:

Thank you for your time and patience in discussing Mr. Akbar's FORM 4 Application Filing as a Director. I am enclosing a copy of the paperwork Mr. Akbar sent to me for your files.

Per the Commission's memo dated March 24, 1987, (also enclosed), Mr. Akbar is providing the following information:

(1) FORM 4, Page 1 - Address for Service:

American Telecommunications Corporation
999 West Hastings Street, Suite 900
Vancouver, British Columbia, Canada V6C 2W2

ATTN: Wendy Bottomley

Ms. Debbie Burden
Superintendent of Brokers
Vancouver, British Columbia
June 3, 1987
Page Two

(2) FORM 4, Page 2 - Item 7.B)

Mr. Akbar has answered "no"

(3) FORM 4, Page 2 - Item 8.B)

Mr. Akbar has answered "no"

(4) FORM 4, Page 3 - Item 12.B)

Mr. Akbar has answered "yes".
EXPLANATION: Mr. Akbar is currently a member of the Board of Directors of American Telecommunications Corporation in Vancouver, British Columbia.

(5) FORM 4, Page 4 - Item 14.A)

Per our telephone conversation you said that your supervisor said that this item did not require an explanation as you could readily see that he had worked for a bank.

Debbie, if any other information is required, please let me know. I enjoyed talking with you today.

Sincerely,

Kitty Keeley for
SYED ZIAUDDIN ALI AKBAR

KK/
cc: Ziauddin Akbar
Kerry R. Fox
Wendy Bottomley

AMERICAN
TELECOMMUNICATIONS
CORPORATION

KERRY R. FOX
Chairman of the Board
& Chief Executive Officer

June 15, 1988

"FAX" TRANSMISSION

Ziauddin Akbar
Futures Advisory Services Limited
F.A.S. House
107 Gray's Inn Road
London, England WC1X 8TZ

Dear Mr. Akbar:

Thank you very much for making available the $100,000 to American Telecommunications Corporation, which we received last week. I particularly appreciate your working with my secretary, Kitty, to find the "lost" monies for us.

As both Marshall Swartwood and I have mentioned to you, we are working with at least three organizations to do a long term financing program which we believe we will be able to arrange within the next three to six weeks. Unfortuately, these things always seem to take substantially more time than you first expect, so I would once again ask you if, at this time, you would be willing and able to advance ATC the additional monies you and I talked about.

Instead of the $150,000 I had initially forecasted, an additional $100,000 would be the amount needed as we have been somewhat successful in collecting some of our older past due accounts which makes it possible for ATC to meet its obligations this month.

I fully realize that you only promised to consider a second loan but I am now asking you if this would be possible. As I stated in my earlier letter to you of May 5, 1988, you would accrue interest on the total obligation at a rate of ten percent (10%) per annum, I

would not ask you for any additional funds in the future and ATC would begin repaying these loans sometime during the latter part of this year. I further assure you that I will not ask that you convert this debt to equity.

For the month of May we will actually show our first operating profit and we expect that June will show a bottom line modest profit as we go out of this fiscal year. Since our fiscal year ends in June, we will most likely write-off a number of items such as obsolete inventory and uncollectable receivables as we go through our annual audit. This will clear the books and start us off on a good, strong, profitable year starting July 1, 1988.

I sincerely appreciate your continued help and support of ATC and I will give you a call within the next few days to see if you will be able to help us with this cash flow shortfall.

Very truly yours,

Kerry R. Fox

KRF:kk

P.S. Incidentally, Ray Cottrell and I met in Toronto to discuss the matter you and he recently discussed. He presently plans to visit London on or about June 30 and would hope to see you at that time.

AMERICAN
TELECOMMUNICATIONS
CORPORATION

June 27, 1988

"FAX" TRANSMISSION

Mr. Ziauddin Akbar
Futures Advisory Services Limited
F.A.S. House
107 Gray's Inn Road
London, England WC1X 8TZ

Dear Mr. Akbar:

I have been unable to reach you by telephone so hope this "fax" finds you well and back in England safely.

ATC's Board of Directors has granted you another Warrant for 50,000 shares of ATC stock in recognition of the $100,000 loan you sent to ATC earlier this month. I need to know who loaned ATC the money, i.e. Capcom, FAS or yourself personally, so that I may type the Promissory Note and the Warrant.

I am going into the hospital Wednesday morning and will be out of the office for several weeks, so I would appreciate getting this information no later than tomorrow so I can get these items typed while I am at home recuperating.

Thank you so much for getting me this information and I will look forward to talking to you again, probably when I get back in September.

Very truly yours,

Kitty Keeley
Assistant to
Kerry R. Fox

KK/

AMERICAN
TELECOMMUNICATIONS
CORPORATION

KERRY R. FOX
Chairman of the Board
& Chief Executive Officer

September 30, 1988

"FAX" TRANSMISSION

Mr. Ziauddin Akbar
Futures Advisory Services Limited
F.A.S. House
107 Grays Inn Road
London, England WC1X 8TZ

Dear Mr. Akbar:

I am happy to report that ATC has made a profit for the first time, in the month of July. I am enclosing a copy of a forecast I recently prepared which shows that we expect to achieve approximately $2 million in profit, before taxes, this year on sales of about $13.5 million.

While my estimate for July was $10,000 bottom line profit, we actually achieved $12,000 profit. Certainly this is not a large profit, but is a substantial improvement over ATC's past performance.

I am also enclosing a copy of the billing records for our new credit card ("0-") service that we initiated earlier this year. As you can see, we are currently billing at a rate of approximately $80,000 per week which repesents an annualized figure of approximately $4 million.

Our business continues to expand and we have made arrangements to obtain equipment financing through several of our transmission car[illegible]. Our problem today is cash flow.

In looking at the enclosed billing analysis you will see that we have billed a total of $1,685,521.24 since we began the 0+ service. The billing agency that handles this for us is like a Visa or MasterCard clearing house/billing organization. The agency bills our telephone calls back to the home telephone number of the person who makes the call. For example, if I

were to make a call from a hotel in California, my call would be billed to my home telephone number here in Dallas and I would receive the charge on my telephone bill from Southwestern Bell Telephone Company. This system for collecting the money for the telephone call is almost foolproof because the person making the phone call must pay his phone bill or the local telephone company will terminate his telephone service.

The drawback with this type of service/collection process is the length of time it takes for ATC to receive the monies. As an example of this, ATC has billed $1,685.521.24 since the 0+ service began but only received approximately $500,000 of this amount. The reason for this is that the billings expand as the business grows but the time lag in the billing/ collection process remains the same. In other words we are penalized for growing insofar as cash availability is concerned.

We are talking with several banks about a receivables financing program and I am sure that as soon as we can report a first quarter profit this process will become much easier. In the interim, and with your assistance, I would like to look into the possibility of arranging a line of receivables financing with one of the companies or banks that you are associated with in London.

We would like to establish a credit line, based on our accounts receivable, and which would be collateralized by the assignment of ATC's total 0+ receivables due and payable from the Bell System credit card clearing house. The collateralization of these accounts receivable is accomplished by assigning the total proceeds from this clearing house (which today totals $1,685,521.24) less the approximate $500,000 ATC has already received. Of course, this $1.6+ million is still growing at an approximate rate of $85,000 per week. We are looking at a credit line that would equal 90% of the outstanding receivables, at any given time, but at no time would it exceed $1.5 million.

ATC submits billing tapes to its credit card clearing house on a weekly basis and the clearing house then gives us a detailed weekly summary showing all

amounts accepted for billing. This summary plus any other information as to the status of this working capital funding arrangement, would be made available on a weekly basis.

I feel certain that ATC can provide any lending organization with full and complete legal rights to these receivables which will assure the repayment of any funds made available, through a legal and binding "Collateral Assignment of Revenues" agreement.

To compensate any lending organization that would finance these receivables, ATC would be willing to pay an interest rate of up to two points over prime on all outstanding balances. Additionally, ATC would propose to grant a substantial number of non-callable three year warrants for ATC common stock at a price at or slightly below current market price.

While you might think this receivables financing approach unusual, it does have merit and will substantially improve ATC's ability to grow. The profit potential we project for this fiscal year makes the warrants offered an upside profit potential.

I will give you a call on Monday to see if you might know of a bank or financial organization in Europe that we could contact to further explore such a financing program. Thank you for your continued support of ATC.

Very truly yours,

Kerry

Kerry R. Fox

KRF:kk
Enclosures (2)

ATC
ZERO BILLING ANALYSIS
OAN

Date Submitted	Revenue	Minutes	Month Booked
5/16/88	$94,292.13	157,932.4	MARCH
5/25/88	$136,111.33	230,996.4	APRIL
5/20/88	$118,833.19	230,651.0	MAY
5/26/88	$51,186.32	83,747.1	MAY
6/03/88	$43,152.03	64,552.8	MAY
6/10/88	$61,410.50	91,565.7	JUNE
6/17/88	$85,106.27	125,134.8	JUNE
6/24/88	$82,599.24	124,028.3	JUNE
7/01/88	$76,563.44	113,525.1	JUNE
7/08/88	$55,696.81	79,998.5	JULY
7/15/88	$99,244.64	144,190.9	JULY
7/22/88	$87,004.36	126,033.5	JULY
7/29/88	$83,094.56	127,803.6	JULY
8/05/88	$75,691.53	116,615.8	AUGUST
8/12/88	$78,560.76	116,669.4	AUGUST
8/19/88	$73,718.95	113,376.6	AUGUST
8/26/88	$95,622.37	148,132.8	AUGUST
9/02/88	$69,753.21	108,026.9	AUGUST
9/09/88	$53,494.13	88,077.7	SEPT
9/16/88	$81,063.75	126,630.6	SEPT
9/23/88	$83,321.72	141,190.7	SEPT
TOTAL	$1,685,521.24	2,660,871.6	

RAP:dmk
9/27/88

AMERICAN TELECOMMUNICATIONS CORPORATION

PRELIMINARY FORECAST - FY'89

	SALES	PBT
July	695K	10K
August	748K	36K
September	817K	67K
1ST QUARTER	2,260K	113K
October	893K	91K
November	958K	122K
December	817K	57K
2ND QUARTER	2,668K	270K
3RD QUARTER	3,500K	550K
4TH QUARTER	5,000K	1,000K
	13,428K	1,933K

11/8/88

RE: ZIAUDDIN AKBAR

Shares of Stock Owned:	Owned By:
150,000	ZASK (street name)
30,000	ZASK (street name)
177,102	FAS (conversion of debt)

Promissory Notes Due:	Owned By:
$100,000 (6/1/89)	ZASK

Warrants Held:	
50,000	FAS
50,000	ZASK

Warrants (not issued):	
25,000	Akbar

KRF:kk

AMERICAN
TELECOMMUNICATIONS
CORPORATION

TELECOPIER TRANSMITTAL MEMO

DATE: May 17, 1990

TO: Mr. Akbar

FROM: **Kerry R. Fox**
President

ATC'S Telecopier Number is: 214-680-8884

RE: I will call you tomorrow morning after you have had a chance to review the attached.

PLEASE DELIVER IMMEDIATELY

Number of pages including this transmittal memo: 10

JUNE 4, 1990
Telcon w/ AKBAR
1) Advised him of receipt $10K payment
2) Advised him of repricing of his 50,000 shares Warrants @ $0.36/share



June 11, 1990

Futures Advisory Services, Ltd.
c/o Mr. Ziauddin Akbar
F.A.S. House
107 Gray's Inn Road
London, England WC1X 8TZ

Gentlemen:

Please refer to the terms of the certain American Telecommunications Corporation C Redeemable Warrant dated February 12, 1987 granting you the right to acquire 50,000 shares of the Common Stock of American Telecommunications Corporation (hereinafter referred to as the "Warrant").

This letter will confirm to you that the above described Warrant is hereby amended to provide that the exercise price for the shares purchasable thereunder shall be $0.36 per share and the expiration date shall be extended to April 27, 1995. Other than as specifically amended by this letter agreement, all other terms and provisions of the Warrant shall remain in full force and effect.

If the terms of this letter accurately set forth the terms of our agreement with respect to the Warrant, please execute this letter in the space provided and return one copy to the undersigned.

Sincerely,

AMERICAN TELECOMMUNICATIONS CORPORATION

By: Kerry R. Fox
Kerry R. Fox, President

AGREED TO AND ACCEPTED
this 19th day of June, 1990

FUTURES ADVISORY SERVICES, LTD.

By: Sushma Puri

Title: DIRECTOR

AMERICAN
TELECOMMUNICATIONS
CORPORATION

December 2, 1988

"FAX" TRANSMISSION

TO: Mr. Ziauddin Akbar

FR: Kitty Keeley

TO CHANGE THE OWNER OF THE PROMISSORY NOTE:

This is like endorsing a check. I have typed up an example which is attached. First, get the original Promissory Note that I sent to you. Second, on the last page of the Note put the date. Third, write in the name the Note is 'payable to'. Fourth, sign the Note on behalf of ZASK. Fifth, you have to put in your 'title', i.e. what is your position with ZASK.

That's all there is to it.

Kerry hope to pay off some of this Note by the end of this year. At that time ATC will formally notify you that we wish to make a partial payment. At that time, you will have to send me the original Note and I will then re-issue a new Note to you for the remaining amount and I will make out the Note to whoever you want.

TO CHANGE THE OWNERSHIP OF REGISTERED STOCK:

Marshall Swartwood's office is sending this paperwork to you today by DHL courier mail. They said the paperwork would be self-explanatory. Any questions you have on this should be directed to Marshall Swartwood.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND CANNOT BE TRANSFERRED OR SOLD WITHOUT REGISTRATION UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR THE AVAILABILITY OF AN EXEMPTION THEREFROM SATISFACTORY TO THE COMPANY AND ITS COUNSEL.

AMERICAN TELECOMMUNICATIONS CORPORATION
UNSECURED PROMISSORY NOTE

June 9, 1988

FOR VALUE RECEIVED, the undersigned AMERICAN TELECOMMUNICATIONS CORPORATION, a corporation organized under the laws of the Province of British Columbia, Canada (the "Company"), hereby promises to pay to ZASK INVESTMENT AND TRADING COMPANY (the "Payee"), the principal of ONE HUNDRED THOUSAND DOLLARS ($100,000 U.S.) in lawful money of the United States of America. The entire principal balance of this Note, with interest accrued at an annual rate of ten percent (10%), shall be due and payable on the earlier of (1) June 1, 1989, or (2) the receipt of proceeds by the Company from any public offering and sale of the Company's securities.

The principal amount of this Note is prepayable, without premium or penalty, at the option of the Company, at any time and from time to time in whole or in part.

All payments by the Company on account of principal of or interest on this Note shall be made by check at the principal office of the Company, upon presentation of this Note for notation hereon of such payment (or if such payment represents the final payment, whether at maturity or otherwise, of this Note, upon surrender of this Note for cancellation).

There shall occur an "Event of Default", if the Company shall default in the payment of any installment of principal or interest on this Note when the same shall become due and payable and such default shall continue for more than 30 business days after the Company has received notice of such default.

If an Event of Default shall occur and shall not be cured, or begun to be cured, as the case may be, within the applicable grace period set forth above, then the Payee may, at his option, by notice to the Company, declare the entire unpaid principal balance of this Note,

EXAMPLE

and all unpaid accrued interest thereon to be due and payable, and upon the receipt of such notice by the Company, the same shall become due and payable forthwith.

All notices and other communications hereunder shall be sufficiently given to the Company if, in writing, sent by first class certified or registered mail, return receipt requested, postage prepaid, to American Telecommunications Corporation, 15851 Dallas Parkway, Suite 1120, Dallas, Texas 75248, Attention: Mr. Kerry R. Fox, President, or to such other officer of the Company as it may designate in writing to the Payee, with a copy thereof to Messrs. Greenberg, Irwin & Weisinger, P.C., Attn: Stephen Irwin, Esq., 540 Madison Avenue, New York, New York 10022. All notices or other communications hereunder shall be deemed given when received by the addresses thereof or its authorized agent.

IN WITNESS WHEREOF, this Note has been duly executed and delivered by the duly authorized officers of the Company.

AMERICAN TELECOMMUNICATIONS CORPORATION

BY: Kerry R. Fox
Kerry R. Fox, President

(Corporate Seal)

ATTEST: Rose A Patrick
Signature

Rose A. Patrick
Name Printed

Assistant Secretary
Title

DATE: _____

PAYABLE TO:

_____

BY:

_____
Ziauddin Akbar
ZASK INVESTMENT & TRADING COMPANY

Its: _____
(President)(Owner)(_____)

STATEMENT OF WITNESS

NAME: Larry E. Romrell
ADDRESS: 5823 South Kearney Street
Englewood, Colorado 80111

I currently hold the following offices:

President/Director	WestMarc Communications, Inc.
Director	United Artists Entertainment

I have been with the parent company, Tele-Communications, Inc. for approximately 30 years.

I met Mr. Ziauddin Akbar in 1981 when he came to Denver representing Shiekh A. R. Khalil to investigate the lease or lease/purchase of a home which a partnership I was involved with had built in Vail, Colorado. At that time, Mr. Akbar was employed by the Bank of Credit & Commerce International in London.

Through this first introduction my partner and I, Kerry Fox, investigated the possibility of construction loans through the bank. Mr. Akbar was instrumental in setting up two separate construction project financings through BCCI for myself and Mr. Fox.

During our negotiations and pay-off of these accounts, we found Mr. Akbar to have the utmost integrity, living up in every way to his commitments to us.

At a later date, Mr. Akbar asked if I would be interested in joining him in a new venture which would be involved in the commodities market. He presented a business plan which represented a reasonable return on the required investment and I agreed to invest with him. The business was CAPCOM Financial Services in London.

During my business dealings with Mr. Akbar, I found him to be a trustworthy and forthright person. Mr. Akbar was very desirous of following and being in compliance with the applicable laws and policies of the U.K. and the United States.

I believe him to be a very religious person, as well as a good father and husband. Mr. Akbar tends to be a rather shy and introverted person. I find that he does not completely understand the English language when spoken too quickly, and often times during a conversation with him I would have to have him repeat himself because of his native accent.

My association with Mr. Akbar over the past several years has been a very warm and friendly relationship. I have always found him to be very honorable and I have the utmost trust and faith in his judgement. His business and personal ethics are above censure.

THE CAPITAL FUND

FINANCIAL STATEMENTS -- 30 SEPTEMBER 1986

TOGETHER WITH MANAGERS' AND AUDITORS' REPORTS

THE CAPITAL FUND

MANAGERS' REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 1986

We are pleased to present the annual report on the affairs of The Capital Fund ("the Fund"), together with the financial statements and auditors' report, for the period ended 30 September 1986.

RESULTS FOR THE YEAR

As you are all aware, the Capital Fund commenced trading on 1 January 1986 with an initial subscription of US$ 10,000,000.00.

We are pleased to advise you that the net asset value of the Fund as on 30 September 1986 stood at US$ 10,888,970 representing a net increase in its value of 8.89% (11.85% annualised), compared with interest rates over the same period which averaged 6.50%.

Over the past nine months, the stock, bond and currency markets have all been exceptionally volatile. We feel, however, that we have managed to realise a reasonable rate of growth for the Fund even in these extreme conditions. In the future we hope to better past performance without necessarily detracting from our conservative approach.

DIRECTORS OF THE FUND AND THEIR INTERESTS:

The directors who served during the period are as shown below-

K.R. Fox (appointed 2 July 1985)
M. Davies (appointed and resigned 2 July 1985)
G.J.R. Stein (appointed and resigned 2 July 1985)

The directors who held office at 30 September 1986 had no interests in the preference share capital of the Fund.

Directors' remuneration during the period was nil.

MANAGERS' REPORT (Continued)

AUDITORS:

The directors will re-appoint Arthur Andersen & Co. as auditors for the ensuing year.

P.O. Box 1043
Grand Cayman Islands
British West Indies

Capital Management Services

19 December 1986

To the Members of THE CAPITAL FUND:

We have examined the balance sheet of THE CAPITAL FUND (a company incorporated in the Cayman Islands) as of 30 September 1986 and the related statements of operations and changes in financial position for the period then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of THE CAPITAL FUND as of 30 September 1986 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

19 December 1986

THE CAPITAL FUND

RESOLUTION IN WRITING OF THE SOLE DIRECTOR PURSUANT TO ARTICLE 140 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY.

I, the undersigned, being the duly appointed Alternate of the sole director of The Capital Fund ("the Company") hereby:-

APPLICATIONS FOR PARTICIPATING REDEEMABLE PREFERENCE SHARES ("SHARES")

1. NOTE that pursuant to the Company's Offering Memorandum dated 14th October, 1985, the following applications for Shares had been received by Capital Management Services Limited ("the Managers"):

Applicant	No. of Shares Applied for	Subscription Monies
Mr. S.P. Sethi	90	$ 90,000
Mr. Sabahuddin Khan	100	$ 100,000
Mrs. R. Siddiqi	60	$ 60,000
Mr. M.A. Rasheed	110	$ 110,000
Lindar Ltd.	60	$ 60,000
Consolidated International Securities Inc.	145	$ 145,000
Mr. H.L. Thapar	75	$ 75,000
Mr. Sultan Adham	120	$ 120,000
Mr. Faisal Adham	120	$ 120,000
Miss Sara Adham	120	$ 120,000
Miss Nadia Adham	120	$ 120,000
H.E. Sheikh Kamal Adham	120	$ 120,000
Mr. E.E. Eljawhary	125	$ 125,000
Mr. Abbas Eljawhary	125	$ 125,000
Mr. Nasser Eljawhary	125	$ 125,000
Mrs. Hoda Abdel-Karim	120	$ 120,000
Mr. Mamoon Eljawhary	120	$ 120,000
Notan Trading and Investment	600	$ 600,000
Zask Investments and Trading	2,345	$ 2,345,000
Paten Holdings Inc.	1,200	$ 1,200,000
Mr. Razuiddin Akbar	4,000	$ 4,000,000
TOTAL	10,000	$10,000,000

2. NOTE the contents of a letter dated 16th January, 1986 from BankAmerica Trust and Banking Corporation (Cayman) Limited in Grand Cayman confirming that the subscription monies in respect thereof have been received.

3. RESOLVE

(a) That all such applications be accepted in full and that Shares be issued to the applicants pursuant thereto; and

(b) That the Managers be instructed to arrange for the issue of the relevant Share Certificates, by letter in the form annexed hereto.

SHARE CERTIFICATE

4. NOTE the form of the Participating Share Certificate determined pursuant to Resolution 18 passed on 14th October, 1985, a copy of which Certificate is annexed hereto.

Dated this day of June, 1986.

Signed: _____
Mohammad Saghir

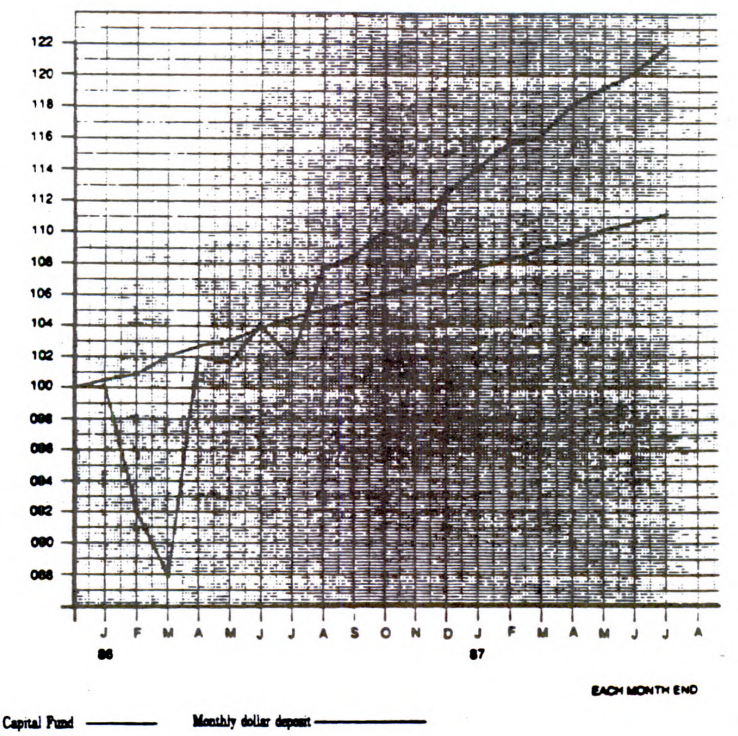
Duly appointed Alternate for
Kerry Roy Fox



Month End July 1987

Initial Investment on 1 Jan 1986	$1000
Value per share at close of business month end July 1987	$1217.50
Cumulative return to date	21.75%
Annualised return to date	14.73%
Return in last 12 months	19.13%

Capital Fund Share Performance Versus Performance of a cumulative monthly dollar deposit



Report on trading activity for July 1987

The market appears to perceive a re emergence of inflation, with some indicators being supportive of this view i.e. oil prices doubled in a year; base metals up 9% in a month; US consumer prices up 5.5% annualised over the first 6 months and double digit percentage rises in money supply and bank loans in a dozen OECD countries. Therefore the Fund concentrated on buying base and precious metals and buying currencies on the basis of poor US trade deficit figures and political uncertainty in the US as evidenced by Irangate and the Naval build up in the Gulf.

In addition we were of the opinion that bonds were due to decline as yields rose, thus the Fund made several quick trades shorting the bonds.

Unfortunately, most of these successes were counterbalanced by running short positions on Stock Indices. In reality very solid buying of blue chip stocks, oil stocks and the transport sector has led to new highs being reached on the S&P almost daily. As a small sop to the losses in th S&P market the Fund has run some successful, but small, buy write programmes in US Equities (Buying the stock and writing call options).

Review of future prospects

We still believe that with the narrow breadth to the market and the classic signs of the end of the bull run such as take-over mania, small investor buying and the very size of the bull run that US stocks must react downwards. Therefore the Fund will buy long term deep out-of-the-money S&P put options looking for a major correction.

With inflationary fears still apparent we shall remain long of base and precious metals. We feel the absolute downside on Silver is 650c per oz, potentially rising to 1200c per oz. On currencies, the dollar may stage a rally, the worst of the short term political and economic news now appearing to be past. The Fund is long of Deutschemark put options.

With regard to Bonds, we feel bearish in the long term, looking for yields to rise in the last quarter. But in the short term the Fund will be looking for a small corrective rise to the levels of mid July (91 on September) before selling again.

On UK Government Gilts the picture looks the same as bonds. The Government is a seller at levels just above 119 and provided there is no weight of foreign buying we shall sell Guilts on a rally.



THE CAPITAL STAR

These are the views of the Fund Managers at the time of writing, but any views expressed at that time may be subject to change and the Fund may not necessarily pursue this course throughout the month.

THE CAPITAL FUND

SUMMARY

The following information is derived from the full text of this Offering Memorandum and should be read in conjunction therewith.

The Fund	The Fund is an open-ended investment company established in the Cayman Islands and empowered under and subject to the laws of the Cayman Islands to issue and redeem its own preference shares.
Purpose	To provide a means whereby investors may participate in a managed portfolio consisting, inter alia, of commodity and financial futures, precious and other metals, stocks, bonds and securities, currencies and cash instruments, and options on any of the foregoing.
Investment Objective	To provide investors with as high a capital growth as possible through the prudent trading of futures, options, metals, currencies, securities and cash instruments.
Investment Policy	Diversification of risk through use of a spread of investments and use of options strategies to maximise growth.
Tax	The Fund suffers no tax in the Cayman Islands on its investment income and realisations of capital gains. Witholding tax may be imposed by certain jurisdictions upon dividends and interest received by the Fund on securities and debt obligations held by the Fund in such jurisdictions.
Denomination and Minimum Investment	Participating Shares are denominated in U.S. dollars and the minimum initial investment will be $50,000 (inclusive of the Manager's initial charge) ie. a holding of 50 Participating Shares.
Valuation	The Participating Shares will be valued monthly as at the close of business in Chicago normally on the last business day of each month.
Issue and Redemption	Participating Shares may be issued or redeemed normally on the first business day of each month.
Dividends	It is not anticipated that the Fund will pay dividends. All profits on investments (whether income receipts or capital gains) will be reinvested in accordance with the Fund's aim of achieving maximum capital growth.
Charges	
(i) *Initial Charge*	A maximum of 4.71% of funds invested
(ii) *Management Fee*	
(a) *Flat Fee*	3% per annum of Net Asset Value, charged monthly.
(b) *Incentive Fee*	charged monthly at the rate of 15% of the profits of the Fund made on its investments in the preceding month. Any loss from an earlier month is carried forward until exhausted.
(iii) *Brokerage Fee*	$17.50 per contract traded.

Registered Office
P.O. Box 1043, Grand Cayman, Cayman Islands, British West Indies

Director
Mr. Kerry Roy Fox, Windermere, Orlando, Florida, U.S.A.

ADMINISTRATION

Manager

Capital Management
Services Limited
P.O. Box 1043, Grand Cayman,
Cayman Islands, British West Indies

Investment Advisers

Futures Advisory
Services Ltd.
9 – 13 St. Andrew Street
London EC4A 3AE

Principal Brokers

Capital Commodity
Dealers Ltd.
9 – 13 St. Andrew Street
London EC4A 3AE

Legal Advisers in London

Coward Chance
Royex House
Aldermanbury Square
London EC2V 7LD

Administrator

Cayhaven Corporate
Services Limited
P.O. Box 1043
Grand Cayman, Cayman Islands,
British West Indies

Bankers

BankAmerica Trust and Banking Corporation (Cayman) Limited
Georgetown
Grand Cayman, Cayman Islands,
British West Indies

Auditors

Arthur Andersen & Co
1 Surrey Street
London WC2

Legal Advisers in the Cayman Islands

W.S. Walker & Company
P.O. Box 265
Swiss Bank Building
Grand Cayman, Cayman Islands,
British West Indies

OBJECTIVE AND INVESTMENT POLICY

The objective of the Fund is to realise a growth rate in net assets per share from investments in futures, options, metals, currencies, bonds, stocks and cash instruments.

A policy of prudent risk reduction through the use of options and the spread of capital into different instruments will be pursued.

Investments will be principally in financial and commodity futures and options, precious and other metals (including metal futures and options), currencies, cash stocks and other cash securities and stocks and bonds.

Where transactions are placed with brokers outside the Principal Broker's self clearing abilities, placement will only be made through brokers of repute.

The investments of the Fund are, of course, subject to market fluctuations and to the risks inherent in all investments. It should also be noted that futures markets are often of a particularly volatile nature. Therefore, it is possible that the price of Participating Shares may go down as well as up.

DIVIDEND POLICY

In order to afford maximum growth rate in net assets per share all profits made on investments will be reinvested and consequently it will not be the policy of the Directors to recommend that dividends be declared.

MANAGEMENT AND ADMINISTRATION

The Director

Kerry Roy Fox of Windermere, Orlando, Florida, U.S.A. Mr. Fox is Chairman, President and Chief Executive Officer of American Telecommunications Corporation and Chairman of Intelligent Business Communication Corporation. He has a BSEE from the University of Michigan.

The Manager

The Fund has been established in the Cayman Islands by Capital Management Services Limited ("the Manager"). Pending the issue and allotment of Participating Shares the Fund is a subsidiary of the Manager.

Under a Management Agreement between the Fund and the Manager, the Manager is responsible (subject to the overall control of the Director) for the general management and administration of the Fund, its business and investments. The Manager may apply the monies of the Fund at its discretion in the acquisition of such investments in such manner as it thinks fit and to sell, exchange, vary or transpose the same.

The Manager is entitled to delegate certain of its powers and by an Administration Agreement between the Manager and Cayhaven Corporate Services Limited the Manager has appointed the latter to act as its delegate in the performance of certain of the Manager's functions and duties in relation to the administration of the Fund set out therein, including acting as Secretary, Registrar and Transfer Agent of the Fund.

The Manager may act as Manager of other funds in the future, any of which may be investing in the same markets as the Fund.

Further details of the Management Agreement and Administration Agreement are set out in paragraphs 4 (a) and (c) respectively on page 13.

The Investment Adviser

Under an Investment Advisory Agreement between the Fund, the Manager and Futures Advisory Services Limited ("the Investment Adviser") the latter has been appointed to act as Investment Adviser to the Fund and the Manager.

Further details of the principal terms of the Investment Advisory Agreement are set out in paragraph 4 (b) on page 13.

The Principal Broker

The Fund and the Manager have appointed Capital Commodity Dealers Limited to act as the Fund's Principal Broker.

The Principal Broker will charge a fee of $17.50 for each investment transaction (whether purchase or sale) effected by it on behalf of the Fund.

CAPITAL MANAGEMENT SERVICES LIMITED

WRITTEN RESOLUTION OF THE DIRECTORS PURSUANT TO REGULATION 77 OF THE NEW ARTICLES OF ASSOCIATION OF THE COMPANY

We, the undersigned, being all the Directors of Capital Management Services Limited, ("the Company") pursuant to the said Regulation 77 hereby:

Post-Incorporation Matters

Previous proceedings

1. NOTE the contents of the Minutes of:-

(a) A Meeting of the Subscribers of the Company held on 27th June 1985 at which D.G. Bird and G.J.R. Stein were appointed the first Directors of the Company.

(b) A Meeting of the Directors of the Company at which Cayhaven Corporate Services Limited was appointed Secretary of the Company, Messrs. Stein and Bird resigned as Directors and Paten Holding Inc. and Zask Investments and Trading Company Limited were appointed Directors.

(c) A resolution of the Shareholders of the Company dated [ ] October 1985 whereby Paten Holding Inc. and Zask Investments and Trading Limited were removed as Directors and Dr. Franz Pucher and ~~Kelly~~ Roy Fox were appointed Directors.
KEOEY

Incorporation

2. NOTE that the Company was formed on 25th June 1985 and registered as an exempt Company in the Cayman Islands on 26th June 1985. A copy of the Certificate of Incorporation is annexed hereto.

Assistant Secretary

3. RESOLVED that Dr. Franz Pucher be and he is hereby appointed Assistant Secretary of the Company.

Official Seal

4. RESOLVED that the Seal an impression of which appears opposite this resolution be and it is hereby adopted as the Official Seal of the Company for use in Liechtenstein.

Registered Office

5. NOTE that the Company was incorporated with its registered office at P.O. Box 1043, George Town, Grand Cayman and RESOLVE THAT such arrangement be and it is hereby approved.

Bankers

6. RESOLVE that be and they are hereby appointed Bankers for the Company.

Auditors

7. RESOLVE that Arthur Andersen & Co., Chartered Accountants, of 1 Surrey Street, London WC2 be and they are hereby appointed Auditors to the Company at remuneration to be agreed.

Legal Advisers

8. RESOLVE that:-

(a) Messrs. Coward Chance, Solicitors, of Royex House, Aldermanbury Square, London EC2, be and they are hereby appointed Legal Advisers to the Company in England; and

(b) W.S. Walker & Company of Swiss Bank Building, George Town, Grand Cayman, be and they are hereby appointed Legal Advisers to the Company in the Cayman Islands.

And that such Legal Advisers be paid their usual professional charges for services rendered to the Company from time to time.

Directors' Interest

9. NOTE that by virtue of his directorship of The Capital Fund, Mr. Fox was to be regarded as interested in any contract made with The Capital Fund.

The Capital Fund ("the Fund")

Agreements

10. RESOLVE that the following agreements be executed on behalf of the Company in the form annexed hereto:-

(a) A Management Agreement between the Fund and the Company;

(b) An Investment Adviser's Agreement between the Company, Futures Advisory Services Limited and the Fund;

(c) An Administration Agreement between the Company, Cayhaven Corporate Services Limited and the Fund.

Investment Adviser's Agreement ("Adviser's Agreement")

11. Note that by Clause 5 of the Adviser's Agreement, Futures Advisory Services Limited shall comply with all reasonable instructions of the Company in carrying out its duties under the Adviser's Agreement, such instructions to be given on behalf of the Company by any person duly authorised and RESOLVE that Dr. Franz Pucher be and is hereby authorised to give instructions on behalf of the Company to Futures Advisory Services Limited.

Offering Memorandum .d Verification Notes

12. NOTE the form of Offering Memorandum proposed to be put out by the Fund and the Verification Notes relating to the statements of fact and opinion therein contained and NOTE in particular that certain of such statements are expressed to be verified by the Company.

13. RESOLVE that, the Directors being satisfied with the accuracy of such statements, Mr. Fox be and he is hereby authorised to sign a letter in the form annexed hereto confirming such accuracy to the Director of the Fund.

Fees of the Fund's Director

14. NOTE that the Articles of Association of the Fund provide for the fees of the Director of the Fund to be determined by the members of the company and RESOLVE that Kerry Roy Fox be and is hereby authorised to sign on behalf of the Company a consent resolution in the form annexed hereto fixing such fees at U.S.$ per annum.

Dated the day of October 1985

Dr. Franz Pucher

Kerry Roy Fox

PREORGANIZATION SUBSCRIPTION AGREEMENT

WHEREAS, it is proposed to organize under The Illinois Business Corporation Act of 1983 a corporation to be known as CAPITAL COMMODITY DEALERS (USA) INC.; and

WHEREAS, the aggregate number of shares which the corporation shall be authorized to issue is 1,500,000, with only one class. The designation of each class, the number of shares of each class, and the par value, if any, of the shares of each class, or a statement that the shares of any class are without par value, are as follows:

Class	Series	Number of Shares	Par value/share
Common	None	1,500,000	NPV

Whereas it is proposed that the said corporation shall be organized for the purpose of any and all acts permitted under The Illinois Business Corporation Act of 1983 and for such other purposes as the incorporators may determine;

NOW, THEREFORE, we, the undersigned, severally subscribe for the number of shares of said proposed corporation set opposite my name, and agree to pay therefor $10.00 per share.

All subscriptions hereto shall be payable at such time or times as the director or directors may determine; and shall be paid in cash, except as hereinafter indicated.

Any one or more of the subscribers or their attorney may act as incorporators of said corporation and may execute and file articles of incorporation containing such provisions not inconsistent herewith as shall be deemed advisable by them.

Separate copies of this agreement may be signed with the same force and effect as though all signatures were appended to one original instrument.

Dated the May 17, 1985.

Name and Address	Number of Shares Subscribed For	Amount Subscribed
Capital Commodity Dealers, Limited	$410,000	$4,100,000
ZASK Trading and Investments, Ltd.	45,000	450,000
Mohammad Saghir	45,000	450,000

To be paid for in cash.

CAPITAL COMMODITY DEALERS, LIMITED

By: _____

Ajay Puri, [redacted]

ZASK TRADING AND INVESTMENTS, LTD.

By: _____ BY PROXY

_____

Mohammad Saghir



WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL
EXECUTIVE VICE PRESIDENT

June 8, 1984

Mr. Ajay Puri
International Investments of Securities Ltd.
77 So. Audley Street
London W1Y 5TA UK

Dear Mr. Puri:

I am enclosing herewith the Capital Commodity Dealers Limited Share Application Forms which are fully executed by Mr. Magness and myself. I am also enclosing, at your request, a brochure on Western Tele-Communications, Inc. which, as you know, has recently been dividend out to the TCI shareholders as a separate company.

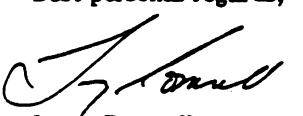
In addition, I am sending you some information on a company named Beehive International. The purpose of this transmittal is that they are, as you can tell from the June 7 letter to me, interested in selling their building to an investor. They would then lease the building back on a ten year lease agreement with options. I believe, if we were interested, we could structure a leaseback which guaranteed no additional cost to the investors over the lease term from maintenance, capital improvements and possibly even increased interest rates based on LIBOR or prime. As you can see from the letter, their Corporate Secretary and General Counsel is my brother. I believe with his inside information, we could make a reasonably attractive deal on this building. As you can tell from the enclosed literature, it is in a very nice industrial park located next to the airport in Salt Lake City. It occurs to me that with your increasing investments in the United States, you may need tax shelters like this building in order to shelter your U.S. profits. If you have an interest, please let me know.

We have researched alternate voice and data carriers to the U.S. from London. It appears that MCI is not yet in service to Europe as they had earlier announced. They intend to provide service to Europe later this year. We find that a company named Americall is providing alternative service to British Telecom at rates they say are 30% - 50% lower than the British Telecom/Bell combined service. In order to get specific information on their services, please call Mr. Guy Stackpull at 836-2449 in London. He will quote you specific rates which will include a one time installation charge and monthly service. After receiving his quote, please compare it with your current services to be sure that he in fact has a 30% - 50% discount. If you would like to have me analyze his charges, please send me a copy of his quote and your current charges for communications use and I will give you my ideas on the matter. If I can give you any further information, please let me know.

GENERAL OFFICES · 54 DENVER TECHNOLOGICAL CENTER
P.O. BOX 22555 · WELLSHIRE STATION · DENVER, COLORADO 80222 · (303) 771-8200

Note that I have enclosed an address change card for WTCI. We will be moving to a building very near to TCI's offices effective July 1. Our telephone number is on the enclosed card as well as our address. We will have a telex and telecopier facility and I will forward these numbers to you as soon as we obtain them. We will, of course, be collecting mail from both addresses for a period of time. If you have any questions on any of the enclosed information, feel free to contact me.

Best personal regards,



Larry Romrell

/te

Enclosures

Senator KERRY. Each of your agencies became aware of this entity, Capcom, at some point in time. But I take it you really only got a sense of urgency about it after the indictment. Is that accurate?

Dr. GRAMM. That is correct.

Mr. EARLY. I would say, on behalf of the Board of Trade, as I said we had questions, serious questions, about some rule violations prior to that. But certainly once we found out about the indictment, that intensified all reviews and concerns.

Senator KERRY. Now Capcom U.S. was incorporated and came on the scene in 1985, which means that for 3 years prior to the indictment they were doing routine business on the exchange, correct?

Mr. BEYER. They did become members in 1985, and we had conducted audits between 1985 and 1988. However, there was no instances of any type of money laundering or any other type of illegal activities that we could find.

Senator KERRY. Well you had conducted audits in 1985, 1986, 1987, 1988, and so forth, but Mr. Early says that in 1988 when they started to scrutinize this they did not have adequate records and were not able to substantiate their deals. How could you have had an adequate audit in those prior years?

Mr. EARLY. Can I respond just with respect to the reference that I had made to inadequate documentation. You have, I think, and you may have just introduced some of it, independent auditor's reports from London, from Coopers & Lybrand, from Arthur Anderson, and from Peat, Marwick, and McLintock, which is the London affiliate of Peat, Marwick and Mitchell here.

Those were the independent audit reports which came in in 1988, in the fall of 1988 and in early 1989, which for the first time confirmed to us the disarray of records. I think that our experience with Capcom was that they did a very good job of cloaking the disarray and the background ownership nominees who may have been truly accountable for accounts prior to that date. And when we audited, we audited for specific violations of exchange rules. I believe that the Peat Marwick report may have been the first that was a true fraud audit that was sought to be conducted with respect to Capcom.

Senator KERRY. What is the worst thing that the Mercantile Exchange can do to somebody who violates the rules or process?

Mr. BEYER. We can expel them from membership of our exchange and fine them almost an unlimited amount of money, in that we can fine up to $250,000 per offense and you can certainly, in a case like this, come up with just about as many offenses as the firm would have had money.

Senator KERRY. Were they so fined?

Mr. BEYER. No. Actually, what we did was that in this particular case we fined them $500,000 and effectively they were expelled from membership.

Senator KERRY. Did you make a criminal referral?

Mr. BEYER. We had been in contact with the CFTC at all times during this particular matter, and actually we found no instances ourselves, as I said, that we could prove of money laundering or drug trafficking. All of those instances and allegations had been made against its affiliated entity, Capcom U.K. We were aware

that the CFTC, however, was having discussions with other entities and would have relied upon that contact.

Senator KERRY. Ms. Gramm, what would you now say about this entity called Capcom? Given what we now know about it and what you have been able to discern, how would you describe it?

Dr. GRAMM. Immediately upon hearing of the indictments we did look at all the trading activity of Capcom U.S. during that time frame. It was a relatively small, smaller than average company, with not many customer accounts, and unremarkable in its trading activity during that time period.

As a result of our extensive review, however, we did identify some cash transactions in one of their accounts that was not supported by futures trading activity, and passed that information on or made that information available to other law enforcement officials.

In terms of finding trading violations or Commodity Exchange Act violations that perhaps could support money laundering, we did not find any discernible pattern except for these cash transactions which we did make available to other law enforcement activities. So I would say that in hindsight it still looks like a company that, during that time period, had a certain amount of activity, and a certain amount of customer accounts. But no one has been able to—at least other law enforcement officials have not been able to find money laundering in Capcom U.S., to our knowledge, as of now.

Senator KERRY. Well let me ask you a few questions leading up to that, and explore that a little bit. In an undercover taped conversation, the president of Capcom, Mr. Akbar, told customs agent Robert Mazur the following, "We don't want to know how, what the customer's doing, what is his business, what is not his business. That's not my responsibility."

Now banks are supposed to operate on the know your customer principle. Is there a similar principle on which the commodity markets operate?

Dr. GRAMM. Yes.

Senator KERRY. So that would have been totally contrary. That kind of open disavowal of knowing where the money was coming from or anything would have raised suspicions immediately, would it not?

Dr. GRAMM. If that were true yes it would, if they were knowledgeable.

Senator KERRY. If that were the operating procedure.

Dr. GRAMM. That is right. If we had knowledge of that.

Senator KERRY. How to you ensure that commodities firms know their customer? What is the process by which that happens?

Dr. GRAMM. The futures broker, the futures commission merchant, does have responsibilities with regard to its customer accounts, including knowing its customers. The self-regulatory organizations have an obligation to ensure that they are meeting those responsibilities, and we also do audits concerning brokers' activities with regard to their customers.

Senator KERRY. But, obviously, until they were indicted, this entity was able to go about this kind of business that I just described with the undercover agent for a period of 3 years.

Dr. GRAMM. Mr. Chairman, when we were aware of that testimony, when it became public, we did discuss and visit with that undercover agent.

Senator KERRY. Oh, I am sure you did. I have no doubt.

Dr. GRAMM. I think it was discussing what was potentially a way to conduct business at the time.

Senator KERRY. Does that suggest to you—I do not mean to interrupt you, but does that suggest to you that they were not doing any of that kind of business up until that point in time?

Dr. GRAMM. We do not have any evidence that would suggest that they had really effectuated that kind of a program. But, again, what he was describing was very sophisticated, with shell organizations, et cetera. It might not have gotten off the ground, but then again, you know, given what we were seeing in our piece of the pie, it would have been very very hard to discover something as sophisticated as I believe was being described.

Senator KERRY. But would that be true in general? This is what I am getting at. For instance, at another point in the tape Mr. Akbar says to Mr. Mazur: You're not actually trading in the futures markets by yourself—referring to Mr. Mazur. He said: "Basically, you want to use this company as a bank for the transfer, to receive the funds, payment of funds."

Is it possible for a commodities futures account to serve as a surreptitious means of moving money?

Dr. GRAMM. I would like to say that nothing is impossible.

Senator KERRY. But how do the regulators detect that?

Dr. GRAMM. There are several things that we can do—if we see, for example, cash transactions that might be unexplained by trading behavior, that might raise some questions and could cause other criminal authorities who have the authority to look for drug laundering, money laundering cases, to look further.

The other thing that we might do is to look at trading activity on the floors of the exchange to see if there are certain kinds of patterns that might suggest that there are money passes being made. We are, as a matter of fact, part of a money laundering task force headed by Treasury, and also an international working group which is looking at methods of money laundering and their detection. Though this is not necessarily our specific area, we have certainly studied various ways that markets might be used for laundering.

Senator KERRY. Is mirror trading one of those ways?

Dr. GRAMM. I think what he is referring to are perhaps wash trades. And that is one of the things that we look for; wash trading is illegal under the Commodity Exchange Act. We have brought many wash trading cases.

Senator KERRY. Do you distinguish wash trade from mirror trade? Is that the same thing?

Dr. GRAMM. I believe that that is what he was referring to.

Senator KERRY. In other words, you take a position on the futures and you cover the same position on the other side, so you have got both sides covered.

Dr. GRAMM. Basically you are on both sides, that is right.

Senator KERRY. So it is simply moving money.

Dr. GRAMM. That is correct.

Senator KERRY. And you can detect that in all instances, or some?

Dr. GRAMM. Wash trading, again, is a violation of the Commodity Exchange Act. And what we look for are patterns that might suggest that these are trades where people are on both sides of an account. Though if you have a large firm, for example, they might be on both sides of the account but they might represent two unrelated customer's positions. So on acting on behalf of customers, you might have different customers, you have offsetting positions, which is all right. Offsetting positions by themselves do not necessarily mean wash trading, but they require further investigation.

Senator KERRY. Well have you specifically referred, or have any of the exchanges ever made a criminal referral from money laundering?

Dr. GRAMM. We have raised concerns.

Senator KERRY. Have you made a criminal referral from money laundering?

Dr. GRAMM. No, I do not—not specifically in that regard. I mean we did—we did raise these concerns to the criminal authorities, who are the experts in money laundering, about some of these unexplained cash transactions in and out of the one Capcom account.

Senator KERRY. But suppose you do not have a cash transaction. It seems to me very easy for somebody to come in, particularly through an entity like Capcom U.K., dealing with Capcom U.S., take a couple of positions that mirror each other and move very significant amounts of money that way.

Dr. GRAMM. I think that what we did——

Senator KERRY. I mean is it not hard to detect?

Dr. GRAMM. If they actually had a scheme like that, one regulator looking at one side of the market would have a hard time detecting it. This is why we share information and, indeed responded to requests from U.K. authorities. Our staff spent quite a bit of time and effort with the Securities Investment Board, for example, in the U.K., and made all of our files available to the Tampa U.S. Attorney's Office so that they, with their broader picture of what they were trying to look for in money laundering, would have all the information on our side of the markets.

Senator KERRY. Now the original capitalization of Capcom U.K. was $1 million. Ms. Corcoran, are you familiar with that?

Ms. CORCORAN. I do not have here the original capitalization of Capcom U.K. Capcom U.S. was capitalized at about $12 or $13 million.

Senator KERRY. And where does that fit in terms of capitalization of companies?

Dr. GRAMM. Based on their trading activities, it was a smaller than average company in the U.S.

Senator KERRY. Now turning to the trading activities just for a minute, Mr. Mazur said to this committee that Akbar told him Capcom had a gross transaction rate during an 8 month period of $90 billion. Is that possible?

Dr. GRAMM. It is possible.

Ms. CORCORAN. Well it is a question of measurement. It is not clear what they meant, because there is a nominal value to a futures contract and then there is the——

Senator KERRY. Well he is talking gross. I imagine gross transaction rate, he would simply be taking whatever the value of the contracts were.

Ms. CORCORAN. OK, which would be fairly misleading because that would not represent the money moving through the system at all. The money that would move through the system is the settlement of differences in price on the contract.

Senator KERRY. Understood, I understand.

Ms. CORCORAN. And they did about 650,000 trades in——

Senator KERRY. That is what I thought.

Dr. GRAMM. In 1989.

Senator KERRY. So the volume in 1989 was 600,000 plus contracts?

Dr. GRAMM. Yes.

Senator KERRY. And you would characterize that as large or small?

Dr. GRAMM. Smaller than average.

Senator KERRY. Smaller than average?

Dr. GRAMM. Yes.

Senator KERRY. Is it possible to artificially create massive volume like the $90 billion through no risk trading methods?

Dr. GRAMM. If they were doing a large amount of wash trades, for example, or some no risk trading on our markets, we regularly scan and monitor our markets for wash trading. We would probably find that type of activity, especially since we have our audit trail capabilities.

Senator KERRY. Well do you know now whether or not they did that kind of volume?

Dr. GRAMM. We have looked at the trading activity that they did during the time period that they were trading on our markets, and they are relatively small.

Senator KERRY. I understand that. But could they—did they? Can you now tell us whether or not they did create a massive volume, i.e. $90 billion or so, during that 8 month period in a no risk fashion?

Dr. GRAMM. Based on the information that we have right now, on what we see, we cannot say that. We have provided that information to the U.S. Attorney's Office, which probably had a broader picture. There were some subsequent indictments after they had our information, and they did not mention drug money laundering at the U.S. firm.

Senator KERRY. Now Refco is the largest commodities brokerage firm. Is that right?

Dr. GRAMM. I am not sure. Is it the largest?

Ms. CORCORAN. I am not sure that it is the largest.

Senator KERRY. One of them.

Ms. CORCORAN. It is one of the larger firms.

Dr. GRAMM. It is large.

Ms. CORCORAN. It has about $1 billion in customer funds.

Senator KERRY. And Refco had a relationship with Capcom U.S. or Capcom U.K.?

Ms. CORCORAN. Not with Capcom U.S.

Senator KERRY. With Capcom U.K.

Ms. CORCORAN. It cleared for Capcom U.K.

Senator KERRY. Do you know what the nature and extent of that relationship was?

Dr. GRAMM. Capcom U.K. cleared through Refco, as well as several other clearing firms. Every customer account has to be cleared through a clearing member firm, and Refco was one. What were some of the others?

Ms. CORCORAN. It was one of nine firms that Capcom U.K. cleared through.

Senator KERRY. OK. Now I understand that Capcom U.K. account realized a net loss on futures of $76,206,064 to Refco. Is that correct?

Ms. CORCORAN. How do you mean, through Refco did you say? Yes.

Senator KERRY. That is correct.

Ms. CORCORAN. Yes, they did, over a period of time.

Senator KERRY. Over a period of time. And is it not true that the relationship between Capcom U.K. and Capcom U.S., with this passthrough, through Refco or others, would create an oversight gap? Does that not create a difficulty, by having the Capcom U.K.?

Dr. GRAMM. I do not believe there is a pass through, and Andrea can expand on this. But every customer must clear through a clearing member firm. Capcom U.K. was not a clearing member of any U.S. exchange, so they cleared through Capcom U.S. as well as a number of other clearing firms. It could be any firm. It does not necessarily imply any kind of a relationship. But they are still under oversight of our regulations, and the exchange's regulations as well.

Andrea, do you want to expand on that a little?

Ms. CORCORAN. Yes. I think that the period that Capcom U.K. cleared through Refco was the years before 1988 when the U.K. adopted new financial services legislation which regulated the financial services markets in the U.K. The way trading was accomplished in the U.K. through the U.S. is on a back-to-back basis, which is so that—and this is the way all U.K. trading was done, on a principal basis between the broker and its customer with a back-to-back trade in the U.S. exchange market.

And we would see fully what was going on in the U.S. exchange market. We would not be able to necessarily see what the transactions were between the firm in the U.K. and its U.K. customer. And I am informed that it would have been possible to do those transactions potentially on a net basis; that there was no rule at the time in the U.K. that would have precluded that, although subsequently——

Senator KERRY. But you acknowledge that they engaged in this back-to-back trading?

Ms. CORCORAN. All U.K. contracts are done back to back even today.

Senator KERRY. Explain for people what that means. What does back-to-back mean?

Ms. CORCORAN. What this means is that the broker in the U.K. is selling a contract to its customer in the U.K. which it is effectively buying from the U.S. exchange. So the U.K. customer is buying from its broker, and the U.K. broker is buying from the U.S. exchange.

Now technically that is the way it is done in the U.K.. We would say that was an agency transaction in the U.S., and the U.K. transaction is a customer transaction in the U.S. In the U.K., prior to 1988, that would have been a principal transaction and you would not necessarily have had to identify it as a customer transaction.

Senator KERRY. Which is precisely how BCCI was laundering its money. I mean that was the gaping hole in oversight that I refer to.

Dr. GRAMM. But that is on the U.K. markets.

Senator KERRY. Correct, I understand.

Dr. GRAMM. We do not know that. I am not sure.

Senator KERRY. But that is how they used—you see, Capcom became sort of the entity that sat there allowing the purchase, and then they did the principal sale.

Dr. GRAMM. Excuse me.

Senator KERRY. No, go ahead.

Dr. GRAMM. It was my understanding that the U.K. futures markets were not implicated in the money laundering of Capcom U.K. Now I could be wrong on that. But, again, that is out of our domain.

Senator KERRY. I think they were indicted for that. That is what they were indicted for. But you see that was the oversight gap that I refer to in terms of what allowed them to escape, because they had the relationship with their principal that they could keep a secret in country while nevertheless playing on the U.S. Commodities Exchange, and having it one step removed.

Dr. GRAMM. No, in the U.S. they would have to identify the customers. That is we have to know the beneficial owner of accounts in the U.S. So the U.S. The U.K. law is different.

Senator KERRY. For the U.S. side, I understand. But not on the other side.

Dr. GRAMM. Including the foreign brokers. As a matter of fact, when that law came into effect in the U.K. it created some confusion for——

Senator KERRY. When did that come into effect?

Dr. GRAMM. In 1988.

Senator KERRY. In 1988, right.

Dr. GRAMM. It created some confusion because in the U.S. we would expect, of course, our U.S. law to apply, and have always expected it to apply, which meant having those customer accounts treated as separate customer accounts.

Senator KERRY. That came in postindictment, did it not?

Ms. CORCORAN. Not our rule.

Dr. GRAMM. Our rule has always been in existence.

Senator KERRY. No, their rule. OK, I think we are on the same wavelength. $76 million: how does that fit in terms of a loss?

Dr. GRAMM. I would have to defer. Is that a large loss?

Ms. CORCORAN. I would say it was a loss of significance, but there are other situations where there have been losses of substantial size in accounts for multiple customers.

Senator KERRY. Now generally commodities futures trading transfers are done in writing, are they not?

Dr. GRAMM. Yes.

Senator KERRY. But in Capcom the 1989 investigation revealed that generally oral instructions were received from a lot of customers. Is that not accurate? And the files showed no confirmation in writing. Mr. Early or Ms. Gramm.

Dr. GRAMM. Let me defer.

Senator KERRY. Mr. Early, were you aware of that?

Mr. EARLY. The confirmation aspect was a matter of some disciplinary action later. The principal focus of the disciplinary actions that we took prior to indictment were on the subject you were just discussing, though, which is the principal/agent, what I referred to as the selling out of inventory question.

And, yes, in the course of that investigation we also noticed that there were many improper customer confirmation procedures being used by Capcom. They assured us through various means, again in response to the 1987 audit, that those were corrected. What was transpiring in London, we did not see.

Ms. CORCORAN. Excuse me.

Senator KERRY. Yes, Ms. Gramm—sorry, Ms. Corcoran.

Ms. CORCORAN. Akbar had control of some of these accounts under a power of attorney. If you had a power of attorney you would not necessarily need separate written instructions if it was an effective power of attorney, and if he were really in fact the account controller, you would not necessarily need separate written instructions from your customer.

I mean these are some of the issues that, of course, caused, you know, concern about these various accounts, both in the U.S. and in the U.K., especially those that he handled. But as soon as he was indicted, he was removed from the handling of customer account business.

Senator KERRY. When a firm applies for membership on the exchanges, does the exchange itself or does the CFTC examine the board members and officers at all? Is there any kind of analysis?

Dr. GRAMM. If they were to register with the NFA, there would be a fitness check, including fingerprint as well as information about the structure of the company . Is that right, Andrea?

Ms. CORCORAN. Yes.

Mr. EARLY. With respect to the exchange application, we require personal appearances and background information on principal officers; not necessarily in all cases, though, of directors and shareholders, unless they exercise a significant control over the company.

Senator KERRY. In the case of Capcom U.K. where there were several prominent Saudis and prominent Americans, were any of them or all of them reviewed?

Mr. EARLY. I believe that the people who were reviewed for Capcom U.K. were the managing officers. And, yes, they were reviewed.

Dr. GRAMM. Capcom U.K. was not a commission registrant, and therefore was not ever registered with NFA.

Senator KERRY. OK. Now what about on the U.S. board cf Capcom?

Mr. BEYER. We did a background check of Capcom U.S. I cannot tell you here whether we would have done it on every director of it, but we would have done it on either the major shareholders or the

officers. For example, we certainly would have done it on Mr. Mohammad Saghir, who is the president.

Senator KERRY. Would you have done it on Mr. Romrell, Magness, or Powell?

Mr. BEYER. I do not believe that Powell or Magness were original officers of Capcom U.S. And I would have to go back to check to see whether we did it will Romrell.

Senator KERRY. Mr. Magness was.

Mr. BEYER. He was an original officer of Capcom U.S., or a director?

Senator KERRY. One of the members of the board, a director?

Mr. BEYER. OK. In the case of the directors, I do not think we would have checked each director. But we would have certainly checked the major officers of it.

Mr. EARLY. Again, Mr. Chairman, the Board of Trade and the Merc, I think, are similar in this regard. What we require is the active officers, the management of the committee, be subject to personal appearance and investigation; and directors and shareholders only if they have a significant control over the corporation.

Whatever those records are, we have them and would be happy to produce them to the committee if you would like.

Mr. BEYER. Mr. Chairman, as I had indicated, when we did the credit investigative background when they applied, there was nothing that turned up. Subsequently after the indictment, as I had indicated, we engaged Interpass, who we thought might be able to provide us with information that we could not have obtained ourselves, and they also found no derogatory information about these individuals.

Senator KERRY. Do you know what the holdings of Messrs. Romrell, Magness, and Powell were in terms of stock in Capcom?

Mr. EARLY. Senator, I think, on behalf of the Board of Trade, the information that we had with respect to that ownership is attached as exhibits A-1 through A-6 to our written testimony.

Senator KERRY. And what is the amount?

Mr. EARLY. As of what date, Senator?

Senator KERRY. At the outset.

Mr. EARLY. At the outset.

Senator KERRY. In percentage terms.

Mr. EARLY. I am sorry, if you could give me the names again.

Senator KERRY. Romrell, Magness, and Powell.

Mr. EARLY. As of February of 1987, our records show that Romrell had 16 percent of the stock, Powell had 10 percent. Magness had 4 percent at that point, Senator.

Senator KERRY. Now would it have been illegal for one of those American citizens to act as a nominee for Capcom?

Mr. EARLY. I am not clear what you mean by acting as a nominee.

Senator KERRY. If they were simply holding the stock, you know, as a nominee for somebody else. They were fronting, in other words.

Mr. EARLY. If they were fronting for someone else, then the member firm had certainly committed a violation of exchange rules, yes.

Senator KERRY. Would it have been illegal for them to knowingly do that, by your rules?

Mr. EARLY. Senator, I do not know that I can comment, even though I am a lawyer, on that. There is a difference between what is a violation administratively of our rules, and what is technical illegal, that is what is a criminal offense. I am not clear whether that would be a criminal offense or not. It certainly is a violation of our rules to not fully disclose ownership of member firms.

Senator KERRY. Ms. Corcoran, did you want to add to that? I am sorry, you do not have to. I just thought you were moving to answer.

Ms. CORCORAN. In order to be registered with the Commission, you have to identify the principals of the firm, which would be any shareholder holding in excess of 10 percent. And the officers and directors, they would all be fingerprinted.

The representations you make to the Government must be true representations. I think that—where they did not pay for their shares—where the funding of the shares was not supplied by the shareholders, that was an issue. I do not know that it is a direct violation of the Commodity Exchange Act, but it raises a question about the information that was provided in 1987 when the shares were sold from Capcom U.K. to the U.S. shareholders.

Senator KERRY. Is that something that is of concern to you as regulators, this capacity for somebody to be acting as a nominee? Is it something you cannot do anything about until there is evidence to the contrary, or is it something that you can set up a process——

Dr. GRAMM. It would be hard right at the very beginning to look——

Senator KERRY. To look behind——

Dr. GRAMM. At every director of every company, looking for something. Generally, it is easier if, like in this case, you have a problem in a company that is affiliated or some other law enforcement official has some information. It provides a target; something to look for and explore in greater detail. Otherwise it is almost like stumbling upon a needle in a haystack, as opposed to identifying that you are looking for a needle as opposed to something else.

Mr. EARLY. Senator, on behalf of the exchanges, I would say, yes, it is a concern. But I agree with Chairman Gramm; it is a concern that is difficult for us to deal with. We employ independent investigators, for example, to assist us in investigating the background of member applicants. But obviously if someone has fraud and larceny in their heart, they generally also have the means to deceive even professional investigators.

Senator KERRY. Has the intelligence community of the United States, particularly the CIA, ever been in contact with any of your agencies to suggest that certain transactions or individuals should be permitted to trade or transact?

Mr. EARLY. Speaking on behalf of the Board of Trade, we have had contacts with the CIA. That specific request was never made, to my knowledge.

Dr. GRAMM. That request was never made, to my knowledge.

Mr. BEYER. And I do not believe we have ever heard from them either.

Senator KERRY. Did Capcom U.S. launder money for General Noriega?

Dr. GRAMM. Based on the information that we have, we do not see the evidence of that occurring. But, again, we provided all the information that we had to those authorities who were looking very carefully there. Andrea, do you have something?

Ms. CORCORAN. Yes. There is one thing. Finley International, Limited, who is cited as involved in some of the Noriega payments with Capcom U.K., engaged in one $2 million transaction with the IXORA account at Capcom U.S., which was identified. But we had no knowledge that that is, in any way involved with the other transaction or anything about the other transaction, other than——

Senator KERRY. And you have no knowledge at this point in time of that?

Ms. CORCORAN. Absolutely none.

Senator KERRY. Now Ambrose is a giant commodities firm, correct? Ambrose, a German firm that was involved in a major ponzi scheme.

Dr. GRAMM. That is right. That firm was—as I understand it, after some of this information became available sometime in 1989, indicted in Germany for a ponzi scheme.

Senator KERRY. And they used Capcom in some way, did they not?

Dr. GRAMM. They were a customer of Capcom, to my understanding.

Senator KERRY. In a ponzi scheme.

Ms. CORCORAN. The ponzi scheme occurred in Germany and it would not necessarily be reflected.

Senator KERRY. Was there a connection between the problems that Capcom had and what happened with Ambrose?

Ms. CORCORAN. I do not really know the answer to that, sorry.

Dr. GRAMM. Not that we are aware of, is what our division of enforcement has said. The Commission's Division of Enforcement has good relationships with the law enforcement authorities, particularly in Germany and the U.K.

Senator KERRY. So you are aware of no connection on that, in terms of the demise of that firm.

Ms. CORCORAN. It is reputed that one of the principals of Ambrose was related to BCCI. We do not know that for a fact.

Dr. GRAMM. We do not have any indication that these markets were used as part of that ponzi scheme. We just do not have that information.

Senator KERRY. Ms. Corcoran, what about—am I pronouncing it correct, Carchee Trading?

Ms. CORCORAN. That is a company that is mentioned in the U.K. documents, and we have no knowledge of it.

Senator KERRY. You have no knowledge of that?

Ms. CORCORAN. No.

Senator KERRY. You do not know whether or not they used Capcom for any purpose, U.K. or U.S.?

Ms. CORCORAN. We did not see any transactions with that company at Capcom U.S., and I do not know other than what has been

provided to us by the U.K. authorities, anything about its transactions.

Senator KERRY. Let me ask you also, and let me ask you, Mr. Beyer, what was the Zaheer account?

Mr. BEYER. I believe that Zaheer was a relative of Mr. Saghir. In fact, if I recall correctly but I would have——

Senator KERRY. Mr. Saghir was the U.S. CEO of Capcom.

Mr. BEYER. Yes, sir, he was. And I believe that Zaheer was his brother. We know he carried an account on Capcom's books. We also asked Interpass to find out any information about him, and we found no——

Senator KERRY. When did you try to find that out?

Mr. BEYER. I think that we began in—the first contact we had with Interpass was in October of 1988. And I think the last contact we had with Interpass was probably that June or July of the next year. We kept going back to them as we began to find out more and more information. And, again, with respect to him, we did not uncover any negative information either.

Senator KERRY. Well, Mr. Saghir, Mohammad Saghir, was the CEO of Capcom U.S., correct?

Mr. BEYER. Yes, sir.

Senator KERRY. And the Zaheer account was an account in his brother's name in Capcom, correct?

Mr. BEYER. I believe so.

Senator KERRY. And $5 million passed in and $5 million passed out of that account, correct?

Mr. BEYER. I think that is correct.

Senator KERRY. And you investigated Mr. Zaheer, did you not?

Mr. BEYER. Yes.

Senator KERRY. His brother, and his occupation was what?

Mr. BEYER. You know I am not sure. He actually had several relatives. There was one in London.

Senator KERRY. The one that I am referring to worked in a gas station in Karachi, did he not?

Mr. BEYER. Yes.

Senator KERRY. OK.

Mr. BEYER. Well I will say at that time we did not relate those two instances to interpass. We simply were looking at Mr. Zaheer in terms of information that had come to our attention that he may have been involved with the firm. It was subsequently when the CFTC provided us with this detailed information, that we took action against the firm.

Senator KERRY. Well now at the point that you learned that a gas station owner/attendant, whatever you want to call it, was passing $5 million bucks in and $5 million bucks out, and he was related to the CEO of this company, and there is no real explanation for that kind of transaction, did you not suspect money laundering?

Mr. BEYER. Yes, we did. And, in fact, it was after that CFTC report that was furnished us in July, that we went into the firm and we asked them to explain various transactions that did not make sense to us. They had no good explanations for many of those transactions. They furnished a report to us in July. We charged

them in August, and within the next 2 months we arrived at a settled.

Senator KERRY. You are familiar with the IXORA account?

Mr. BEYER. You know, it has been several years since I have looked at it. I do not have exact familiarity with what went it and what came out.

Senator KERRY. If I were to refresh your recollection by saying that you discovered in 1989 that $9 million had come into the IXORA account and there were 12 transfers, and approximately the same amount of money was transferred out in 25 disbursements without any trading activity, what would you have concluded about that account?

Mr. BEYER. On a personal level, when I was involved in this investigation, I was certain that it involved drug money and laundering of money. But there was no way that we could prove that. We discussed that in our committee; we discussed that among ourselves.

Senator KERRY. Was there ever a grand jury called to investigate this? Did you refer it to the U.S. Attorney of that district?

Mr. BEYER. Well, as I had indicated previously, during this entire matter we were in communications with the CFTC, our regulator. And we believed that they were——

Senator KERRY. Let me let them pipe in here, then, since they are here.

Dr. GRAMM. Mr. Chairman, let me just briefly say this, the IXORA account and those cash transfers were the suspicious transfers that we found, because we felt that they were not being supported by any trading activities. And that information was provided to the law enforcement authorities, particularly in Tampa.

Senator KERRY. In Tampa. But nothing in Chicago.

Dr. GRAMM. Pardon me?

Senator KERRY. Nothing in Chicago.

Dr. GRAMM. Andrea.

Ms. CORCORAN. Well, the Tampa authorities were conducting the investigation of Capcom U.K., and it was our thought that they were in the position to have the fuller view of this entire incident. They had indicted Capcom U.K. and S.Z.A. Akbar, and they had also——

Senator KERRY. I guess the curiosity here, from my perspective, is just this: Here you have this entity that registers in 1985. It is doing millions of dollars of trading, or billions of dollars of contracts, 600 and some thousand contracts. It is on the Chicago Mercantile Exchange, Chicago Board of Trade, under the jurisdiction of the CFTC. But this entity is just told cease and desist, and so they cease and desist. When the audit looks like the trail is getting hot, they go away. But there is no criminal followup.

Dr. GRAMM. Well, you have to understand that we do not have criminal authority.

Senator KERRY. I totally understand that.

Dr. GRAMM. That is right.

Senator KERRY. Are you surprised? I mean I am only saying that I am surprised.

Mr. EARLY. Senator, if I could speak on behalf of the Board of Trade for just a moment, we were in touch with the FBI from the

moment we knew that they were involved. We felt that our best efforts were served by cooperating with the Federal Bureau of Investigation, who was investigating this matter, and cooperating fully, which we did from the moment we knew they were involved.

Prior to that time, as I said, we had evidence that they were conducting business contrary to our rules and regulations, but we did not have evidence that——

Senator KERRY. But that is what I am getting at. You have got—in 1988 you have got Noriega laundering money down in Tampa. Here you have got this entity called Capcom. You have got a Capcom U.K. You have got huge amounts of money going back and forth. You have got very questionable practices.

You learn that somebody's gas station brother is moving $5 million bucks through it, you learn that someone else is wash trading in it, and you have got some of the same principals who are involved in BCCI—in fact BCCI basically owning Capcom U.K., Correct? Significant, through same ownership, same people.

Ms. CORCORAN. No, we did not know that.

Senator KERRY. You did not know that?

Dr. GRAMM. We did not know. Mr. Chairman, if I could bring us back to what we were doing at the time. In fact, we did investigate, we did find something suspicious in terms of those transactions.

Senator KERRY. I agree. I think you did a good job, and I am not suggesting that——

Dr. GRAMM. What we did, though, was make that information and those records available. The records continued to exist for——

Senator KERRY. I agree. It is 1992 now.

Dr. GRAMM. From the perspective of when we were looking at Capcom U.S. back in 1988, it was a relatively small company in these markets. It had customer accounts and was not large in any sense of creating, for example, a surveillance or a market integrity problem for us. Our investigation really began with the information of the indictments.

Senator KERRY. But let me tell you what disturbs me a little bit, and I am not sure where the responsibility lies on this. But here is the situation in 1988. You say to the committee, well, we could not prove this or that. And I concur, which seems to underscore to me a gap in the regulatory process. Given the amount of information we had, if we could not prove it at that point, then maybe we were missing some capacity of oversight that we ought to be thinking about, No. 1.

No. 2, given the level of activity that Mr. Early has described that they found, they issued how many directives? Those were pretty strong statements that were issued by the Board of Trade.

Mr. EARLY. Yes, they were.

Senator KERRY. And they are impressive. For that series of statements about cease and desist doing this, and do this and do that, et cetera, given what had happened down in Tampa, I am finding it hard to understand why the documents and the records were not seized in order to understand this Capcom better. We are left in 1992 trying to understand Capcom, and we cannot even find the records. Do you know where the records are?

Ms. CORCORAN. We have all the records of——

Senator KERRY. All the records of Capcom?

Ms. CORCORAN. Absolutely. In fact, we have subpoenaed record that would not have to be maintained beyond the statutory date in order to preserve those records for further investigation by the criminal authorities.

Senator KERRY. OK. Now that is the first we had heard of that. I am not sure whether that is just a gap in communication or what has happened.

Dr. GRAMM. And you are aware that our activities that we have been discussing so far involved ensuring that these markets, if they were being used for illegal purposes, could no longer be used for such purposes? We had at that time not identified significant, trade violations that, for example, might be associated with laundering money. They are out of the business.

We do have an investigation that continues regarding Capcom U.S.

Senator KERRY. Let me ask you this. Do you think that as a consequence of this you have a stronger capacity now to identify money laundering at the outset, or to notice these kinds of transactions in a better way?

Dr. GRAMM. We have, over the years. Always having an experience looking for money laundering provides us with good experience. But the fact of the matter is, over the years we have been working with a number of other task forces, and learning more about laundering money. I think this is something that is of interest not only domestically but in the international community as well.

We routinely, for example, on a request from international regulators, to check on whether or not trades were actually made on the Chicago exchanges that were alleged to have been made in their countries. Generally, money laundering has not been the issue. It has been for other fraud issues.

But I think the fact of the matter is that, with regard to this particular company and the individuals involved here, they are not in our markets now. I do not know about the other agencies, our investigation is still proceeding. It could well be that uncovering the kind of scheme that might have been suggested may take longer.

But what we see from our part so far has not indicated a specific use of these futures markets for money laundering purposes, though we had some questions and suspicions and looked for it.

Mr. EARLY. Senator, if I could just briefly make a comment. The discussion here has highlighted one problem that we have come across in recent years, and that is the disparity of regulation in different countries.

As we talked about earlier, this kind of trading that Capcom was involved in, which we disciplined them for in 1987, was legitimate in London. And indeed, that was the way they defended at the Board of Trade. They said, how can you condemn us for something that is legitimate in the country where we are principally transacting business. And our answer was, because you are transacting business here and you are a member here and you are going to abide by our rules as long as you are.

But it does point out a problem. And that is when you do have different regulatory structures in different nations, and somebody is doing business across international boundaries, it greatly compli-

cates the regulatory structure. Because what is permissible in one country is not another, and vice-versa.

Senator KERRY. Well, that is part of what I was talking about. It is a sidebar of what I was talking about at the beginning.

But let me ask you, with respect to the records that you have, do you have the records of the trades only, or do you also have all their internal memoranda, correspondence and documents?

Dr. GRAMM. I do not know that we have all the internal memoranda and correspondence.

Andrea, can you address that?

Ms. CORCORAN. I could not address all that we have. We have certainly all the records that we have been reviewing. We should have all of the trading records that are in the exchange database that relate to the trading that occurred on the exchanges.

Senator KERRY. I am sure you have those, but I am concerned about their——

Ms. CORCORAN. Well, we have—I believe maybe——

Senator KERRY. Are you allowed to execute a seizure of documents or a subpoena?

Dr. GRAMM. Well, we did subpoena.

Senator KERRY. And you did subpoena.

Dr. GRAMM. One, a principal, asserted the fifth, and one is—Akbar.

Senator KERRY. With respect to documents, was there——

Ms. CORCORAN. With respect to documents, as I understand it, there was a subpoena issued to preserve documents because of the timeframe, and that they have offered to comply. They are required to keep—a regulatee is required to keep all of their business records.

Senator KERRY. And since they lived up to all the other standards, you are confident they did that, right?

Dr. GRAMM. Mr. Chairman, our Director of the Commission's Division Enforcement not only indicated they are in a warehouse, but we have also notified the U.S. Attorney as to their availability.

Senator KERRY. That is helpful.

Capcom is obviously still somewhat of a mystery. And I think you can tell from our questions. I think it is a mystery to you still. It is a mystery to us to a certain degree. There were huge losses incurred. Clearly, the commissions were a significant motivation for their setting this up. But there is also reason to believe that there were some large movement of money in other ways that obviously profited a few people. And that seems to have been one of the mechanisms by which they did it.

They obviously were not trading intelligently or competently. So, beyond the commissions and the movement of money, it was not a venture that could have worked that effectively for them.

Dr. GRAMM. I would think that if you were going to be laundering money that huge trading losses may occur, at some point, and maybe another company would have trading gains. And so the pass could be made. I think what this points out is that looking at one piece is not necessarily sufficient. It really just further strengthens the notion that law enforcement and other authorities do need to share information.

Senator KERRY. Understood.

Has this sent you any message with respect to the investigative process or your capacity for oversight? Are there any recommendations you would make to this committee with respect to that process?

Dr. GRAMM. In reviewing that and looking at it with 20/20 hindsight, what I would say is that actually, I am quite pleased with the results. In fact, these suspicious companies were dealt with expeditiously, well before BCCI fell and well before other information was made available about all those activities.

It does point out how complicated attempting to find drug money laundering can be. That is something that I believe is being recognized around the world, as well as in this country. It also makes me realize the importance of the audit trail and some of those requirements that have been in effect only since the late 1980's. But that certainly helps us identify, for example, trade practice violations that might facilitate laundering. We have not been able to identify any yet, as of this time.

Mr. EARLY. Senator, if I could respond from the exchange standpoint. One rule that we implemented approximately 18 months ago now, approved by the CFTC, gives us authority to investigate books and records of nonmember firms that are affiliated with member firms. We did not have that authority previously.

I think that things like we have experienced with Capcom and other firms in different situations have shown us an awareness that we need to have that authority. And I think that authority will go a great deal toward helping us investigate these kinds of matters in the future.

Senator KERRY. Well, I appreciate that. I think that the Board of Trade did a good job of investigating here. And I think the same at the CFTC. I mean there clearly was movement on this prior to the larger picture coming out. I think the concern the committee has, or the concern that I have, is that four years later so little is still known about Capcom, and that so much of this documentation and so many of the personalities dispersed.

I mean there are a number of people from Romrell to Saghir to Akbar and so forth that were not spoken to by the FBI or by others at that point in time. And it seems to have been a characteristic of this overall investigation from the criminal side.

Dr. GRAMM. Mr. Chairman.

Senator KERRY. Yes.

Dr. GRAMM. Mr. Chairman, it does raise an issue. Our CFTC reauthorization, which is in conference committee right now, does give us further authorities and, frankly, gives foreign regulators, comfort with regard to protecting the confidentiality of information they share with us. I think, while we shared, in this case, a lot of information with the UK regulators, that there is still some concern about being able to protect the confidentiality. Our pending reauthorization provides, legislatively, that kind of comfort that they are seeking.

So, I think if there is anything that might be done it is reauthorization, which would indeed enhance our ability to share information internationally, and likewise, obtain information so the broader picture can be seen.

Senator KERRY. Yes. Well, that probably is one thing that would be helpful.

I wonder if we do not also need some sort of automatic referral process, with a tickler on it to name Justice or something in these kinds of situations, or the financial crime center at Justice, where there is a capacity to check these entities against each other and bring information together a little more effectively, rather than have what is happening in Chicago kind of sent down to Tampa.

Dr. GRAMM. Well, we are part of that whole Treasury database, as well as a part of the task force. And the information was made available.

Senator KERRY. We are going to take a look at it.

Dr. GRAMM. How they are proceeding with it is I guess for you to determine.

Senator KERRY. Just a quick question on the CIA contacts that you had. Do you want to share with us what those contacts were about?

Mr. EARLY. The only contacts to which I had a referral were requests by the CIA to cooperate with them in their investigations. If I recollect correctly, those were internationally. They were what I would consider to be normal requests. The same kind of requests we might get from the FBI or the U.S. Attorney.

Senator KERRY. OK.

I want to leave the record open. There are some detailed questions that we want to ask on a number of different accounts and on the Peat-Marwick report.

But they are not critical in terms of the larger picture here. And I want to get Mr. Bilgrami and Mr. Amjad Awan on.

So, I appreciate your sharing with us the early picture of what happened with Capcom and how you approached it, what was done. And I think it helps the committee to understand the regulatory process as to that entity, and to create a record about it. And then we will proceed to expand that a little bit with the testimony of some of the BCCI insiders, and also some of the documents that we have. And I think it will help give a bigger picture here.

So thank you all, each of you, for your testimony. We appreciate it.

Mr. EARLY. Thank you, Mr. Chairman.

Mr. BEYER. Thank you.

Senator KERRY. If we can get Mr. Bilgrami up here I would appreciate it.

Let us just recess for a moment while I go vote and then bring Mr. Bilgrami in and get him settled, and I will be right back.

[A brief recess was taken.]

Senator KERRY. The committee will come to order. Mr. Bilgrami, could I ask you, please, if you would stand so I can swear you in? Would you raise your right hand, please?

Do you swear to tell the truth, the whole truth and nothing but the truth, so help you God?

Mr. BILGRAMI. Yes.

TESTIMONY OF AKBAR BILGRAMI; ACCOMPANIED BY JOHN HUME

Senator KERRY. Would you state your name, please, for the record?

Mr. BILGRAMI. My name is Akbar Bilgrami.

Senator KERRY. And your current status?

Mr. BILGRAMI. I'm a Federal prisoner.

Senator KERRY. Could you bring that microphone a little closer to you? You are a Federal prisoner serving time where?

Mr. BILGRAMI. In Pennsylvania.

Senator KERRY. And you are currently serving what sentence?

Mr. BILGRAMI. I'm serving sentence for money laundering, conspiracy.

Senator KERRY. How much time are you serving?

Mr. BILGRAMI. About 6½ years.

Senator KERRY. And the money laundering that you are currently serving time for is with reference to BCCI money laundering. Is that correct?

Mr. BILGRAMI. That's correct. That's correct, sir.

Senator KERRY. At the time of your arrest in October of 1988, you were employed by BCCI?

Mr. BILGRAMI. That is correct.

Senator KERRY. And your position there was what?

Mr. BILGRAMI. I was in charge for marketing for Latin America, with specific responsibility in Colombia, Brazil, Venezuela, and Ecuador.

Senator KERRY. Would you share with the committee, please, a little bit of your background prior to assuming those responsibilities for BCCI? Where were you educated and where did you grow up?

Mr. BILGRAMI. Most of my primary and secondary education was in Pakistan.

Senator KERRY. Pull the microphone a little closer. Thank you.

Mr. BILGRAMI. In Lahore, Pakistan, and subsequently, I did my A-levels, which is equivalent to high school, in Spain.

Senator KERRY. And you are currently how old?

Mr. BILGRAMI. I was at that time about 16.

Senator KERRY. No, how old are you now?

Mr. BILGRAMI. 39.

Senator KERRY. 39, all right.

Mr. BILGRAMI. And thereafter I studied in Sussex, England and California, in San Diego. I got my B.S.—B.S. degree in finance.

Senator KERRY. You got a bachelor of science in business at the International University of California?

Mr. BILGRAMI. That's right.

Senator KERRY. In 1972?

Mr. BILGRAMI. 1975 I graduated.

Senator KERRY. 1975, and then you briefly set up a trading company. Is that correct?

Mr. BILGRAMI. Yes, I set up a trading company in Madrid, Spain, and subsequently worked in a Spanish bank.

Senator KERRY. And you—at that time, you learned Spanish, that was partly why you did that?

Mr. BILGRAMI. That's right.

Senator KERRY. Now, how did you come to work at BCCI?

Mr. BILGRAMI. Well, I came across an ad in the Economist, initially, under which I applied and I was interviewed by Mr. Rizvi and Mr. Ziauddin, and then subsequently I got a telex from Mr. Abedi who hired me directly. I was in Pakistan at that time.

Senator KERRY. And in September of 1976, you began as a training officer in London?

Mr. BILGRAMI. That's correct.

Senator KERRY. You were transferred subsequently to the International Business Division/Funds Management. Is that correct?

Mr. BILGRAMI. That's correct.

Senator KERRY. You worked for a Mr. Rizvi and a Mr. Al-Khalani?

Mr. BILGRAMI. That is correct.

Senator KERRY. And what were your responsibilities at the International Business Division/Funds Management in 1976?

Mr. BILGRAMI. Well, I was under Mr. Al-Khalani. I was working as his assistant for marketing in Latin America and specifically Spain. We were trying to purchase a bank there, or set up a operation in that country and immediately, at that time, I was put in charge of looking after Sheikh Zayed's investments in Spain, and then later on, his accounts in Europe.

Senator KERRY. Had you ever met Sheikh Zayed at that time?

Mr. BILGRAMI. At that time I had not met him.

Senator KERRY. Did BCCI have many accounts from the Middle East?

Mr. BILGRAMI. Yes, in London, primarily most of the accounts were from the Middle East.

Senator KERRY. What kind of clients did BCCI serve, by and large?

Mr. BILGRAMI. At that particular time? At that time——

Senator KERRY. We are talking 1976 now, correct?

Mr. BILGRAMI. That's right. Yes. At that time, most of our clients in London were wealthy Middle Easterners from Arab—United Arab Emirates, some from Saudi Arabia, and essentially we had also a clientele from the immigrant communities there, India and Pakistan.

Senator KERRY. Did BCCI spend a certain amount of money on lavish entertaining and expenses in London and elsewhere?

Mr. BILGRAMI. Yes, we did.

Senator KERRY. And you were one of those who helped to manage the visits of some of these wealthy Middle Easterners. Is that correct?

Mr. BILGRAMI. The visits I did not handle directly. There was a different department to do that, but I was involved in the banking side of the situation.

Senator KERRY. What did you become aware of on the banking side?

Mr. BILGRAMI. I was directly—and subsequently in London I was in a branch myself in Parklane. I worked there for 1 year, but in this particular period, I was just looking after Sheikh Zayed's accounts only.

Senator KERRY. So you became sort of a Sheikh Zayed specialist. Is that correct?

Mr. BILGRAMI. I became like—yes, you could say that.

Senator KERRY. I mean, that was your area of responsibility?

Mr. BILGRAMI. Because I spoke Spanish, I was to look after all his dealings in Spain.

Senator KERRY. In Spain, all right. Were you still at that time based in Spain?

Mr. BILGRAMI. No, I was based always in London. I took——

Senator KERRY. Would you travel to Spain?

Mr. BILGRAMI. That is correct.

Senator KERRY. And you would travel to Spain at the same time Sheikh Zayed would be there sometimes?

Mr. BILGRAMI. Uh-huh. In fact, I used to travel more often on my own, but in—a couple of occasions when he visited Spain, I was with him all the time.

Senator KERRY. OK. So you were his personal banker through his financier. Is that correct?

Mr. BILGRAMI. Yes. I used to coordinate all his activities or his accounts with his—the president of his department, whose name at that time was Mr. Abdullah Darwaish.

Senator KERRY. Darwaish?

Mr. BILGRAMI. That's right.

Senator KERRY. All right. Now, in terms of the way in which Sheikh Zayed handled his personal finances, at least in Spain, that which you saw, would you have called it sophisticated?

Mr. BILGRAMI. Sheikh Zayed directly never dealt with me on those issues. He gave instructions through Mr. Darwaish. He was simple in his mannerism as far as dealing with his finances. I thought so.

Senator KERRY. What do you mean by that?

Mr. BILGRAMI. Well, considering his wealth, he didn't have sophistication of making investment decisions on his own. He took advice mostly from his advisers. That was my opinion.

Senator KERRY. Now, during the course of a 2-week visit to Spain, for instance, was there an occasion where he would spend $15 or $20 million?

Mr. BILGRAMI. Yes. I was with him in one particular visit which was a private visit of his to Spain and he spent about that much.

Senator KERRY. That is apart from investments that he made. Is that accurate?

Mr. BILGRAMI. That's right.

Senator KERRY. And you know this because you actually carried a briefcase of money?

Mr. BILGRAMI. Yes. I was like a mobile bank for him. I did everything which was required. I was asked by that—by Mr. Naqvi and Mr. Abedi to——

Senator KERRY. How much money would you carry in your mobile bank?

Mr. BILGRAMI. I would carry about $3 to $5 million at one time, and it used to be replenished as it went and finished.

Senator KERRY. Was this in a suitcase or something?

Mr. BILGRAMI. This was—there were two briefcases.

Senator KERRY. Two briefcases?

Mr. BILGRAMI. Yes, briefcases.

Senator KERRY. And what was all this money going to?

Mr. BILGRAMI. Well, he traveled with an entourage of about 150 people—consist—and we used to land in any particular location, and there were two planes, so we had to take care of all the expenses connected with his visit, all the people with him, the gas for the planes, everything.

Senator KERRY. What was Progressive Investments Company?

Mr. BILGRAMI. That was the vehicle we used to invest or to make his investments in Spain. That was a company based in Liechtenstein.

Senator KERRY. And through that company you bought villas, tracts of land, property investments, is that correct?

Mr. BILGRAMI. That's correct.

Senator KERRY. OK. Did you ever have occasion to use nominees on behalf of the sheikh when he purchased something?

Mr. BILGRAMI. Yes, because of the fact that whenever the sheikh's name came into picture, the prices used to go up, so the bank had this custom of being a front, so to speak and saying that the bank was buying this on behalf of a client without mentioning the name of the client. Once the transaction was more or less completed, then later on the seller would be told who the buyer was actually.

Senator KERRY. Was the sheikh aware that nominees were being used in those instances?

Mr. BILGRAMI. I couldn't say.

Senator KERRY. You do not know?

Mr. BILGRAMI. No.

Senator KERRY. Now, when the sheikh bought property or—excuse me. When you engaged in a property transaction on behalf of the sheikh, did BCCI offer incentives to both sides so that they would use BCCI?

Mr. BILGRAMI. Well, we—I had been given instructions always to try to get the other end of the business, which was get the buyer to bank with us and the transactions were so devised so that he was induced to also place the funds with us, which would have been got from Sheikh Zayed's account.

Senator KERRY. Well, give us an example of that, could you?

Mr. BILGRAMI. Well, the example would be that in some instances—in most instances in Europe—well, specifically there in Spain, at that time that there were exchange control regulations in force and Spaniards were not allowed to keep or have funds abroad. So essentially if there is a transaction of $5 million and you just declare $3 million as a foreign investment, the $2 million tax-free placed outside without knowledge of the local authorities.

Senator KERRY. And BCCI would assist in making that happen. Is that correct?

Mr. BILGRAMI. BCCI would devise that, yes.

Senator KERRY. You helped do that?

Mr. BILGRAMI. Yes.

Senator KERRY. So BCCI would help a customer avoid the tax, declare an artificial price on the property and make a separate payment through a different route, disguising it. Is that accurate?

Mr. BILGRAMI. It wasn't disguised in a sense, it just made outside so the local authorities wouldn't have any idea of what was paid.
Senator KERRY. Outside?
Mr. BILGRAMI. Outside.
Senator KERRY. Did this happen more than once?
Mr. BILGRAMI. When I was involved in Spain that happened and that happened on the instructions—I think they came from Mr. Abedi or Mr. Naqvi, and then, I subsequently confirmed what had happened in memo to them.
Senator KERRY. Did you become aware that Sheikh Zayed had investments in other places too?
Mr. BILGRAMI. Yes.
Senator KERRY. Investments in Austria, France?
Mr. BILGRAMI. In France, in Switzerland and in England.
Senator KERRY. And in the United States?
Mr. BILGRAMI. At that time, I was not aware. I became aware subsequently.
Senator KERRY. OK. Now, who was Abdullah Darwaish, you mentioned earlier?
Mr. BILGRAMI. Mr. Abdullah Darwaish was the chairman of the department of personal affairs of Sheikh Zayed. This is a whole big department in Abu Dhabi which looks after all the investments of Sheikh Zayed, and all the properties and all the charities, everything.
Senator KERRY. He was one of the principal financial advisers to Sheikh Zayed?
Mr. BILGRAMI. Yes.
Senator KERRY. And you knew him for some period of time. Is that accurate?
Mr. BILGRAMI. That's right. I knew him——
Senator KERRY. Over what period of time?
Mr. BILGRAMI. I knew him from 1977 to 1981, I think, around that time.
Senator KERRY. And what kind of services did he handle for the sheikh?
Mr. BILGRAMI. Everything, as far as whatever related to finances, and all the coordination with BCCI was done through him.
Senator KERRY. Did he have power of attorney for Sheikh Zayed, for his accounts?
Mr. BILGRAMI. I understand he did, yes. In fact he did; on accounts, he signed.
Senator KERRY. You know that first-hand?
Mr. BILGRAMI. Yes.
Senator KERRY. What was the size of the portfolio of the sheikh's investments that Darwaish controlled?
Mr. BILGRAMI. I do not know that first-hand. I was just told on a couple of occasions by his assistants that the amount which was under the department was around $2 billion at that time.
Senator KERRY. $2 billion?
Mr. BILGRAMI. Yes.
Senator KERRY. OK. Now, did BCCI ever send documents to Darwaish concerning the purchase of a U.S. bank?
Mr. BILGRAMI. Yes.
Senator KERRY. When did that occur?

Mr. BILGRAMI. I can't be very certain of the exact date, but I think, I am not sure again, it was in 1977 or 1978, around that time.

Senator KERRY. Late 1977 or early 1978 somewhere?

Mr. BILGRAMI. It's been sometime. I was just—I was in Spain, Marbella, at that time with Mr. Darwaish.

Senator KERRY. What were the circumstances of your involvement with those documents?

Mr. BILGRAMI. While I was in Spain with him, I got a call from Mr. Rizvi in London and he told me that there were some important documents being DHL'ed to me for Mr. Darwaish, which were to be signed by him and returned back to Mr. Naqvi, in fact.

Senator KERRY. At that time you were in Marbella, the resort?

Mr. BILGRAMI. I was in Marbella with Mr. Darwaish.

Senator KERRY. And Mr. Naqvi gave you these instructions?

Mr. BILGRAMI. No, they came initially first through Mr. Rizvi.

Senator KERRY. Yes.

Mr. BILGRAMI. Once I received the documents and I gave them to Mr. Darwaish, he initially did not sign them, he was not in a hurry. So I got a subsequent call from Mr. Naqvi's office, one of his assistants called me—that Mr. Naqvi wanted me to ensure that they were signed quickly and returned to him.

Senator KERRY. Now, do you recall what those documents were?

Mr. BILGRAMI. Those documents at that time had to deal with the purchase of Financial General, as it was called, and they were loan documents. They were elaborate documents. I did not understand them fully at that time.

Senator KERRY. But you did read the documents?

Mr. BILGRAMI. I read them. Mr. Darwaish asked me to just briefly tell him what they were about.

Senator KERRY. And they were in English?

Mr. BILGRAMI. They were in English.

Senator KERRY. And it was a series of blank documents that he was to sign?

Mr. BILGRAMI. They were pretty thick documents and they had a lot of blanks in them.

Senator KERRY. OK. And the document was to go where after he signed it?

Mr. BILGRAMI. I was to send them back to Mr. Naqvi immediately.

Senator KERRY. Did he sign those blank documents?

Mr. BILGRAMI. He signed the documents and also initialed in the blank spaces.

Senator KERRY. And he initialed in the blank spaces because he had been instructed to do so?

Mr. BILGRAMI. Well, I was told to get him to sign it in that manner and when I gave him the documents, he gave me the impression that he knew what they were about.

Senator KERRY. Did he know what was going to go into the blank spaces?

Mr. BILGRAMI. I do not know that.

Senator KERRY. Did he ask you any questions about the blank spaces?

Mr. BILGRAMI. No, he did not.

Senator KERRY. Did he indicate any concern about the blank spaces?

Mr. BILGRAMI. No, he did not, but just to add on that, a couple of—a lot of instances, he used to sign documents and blanks for Spain, the transactions and we used to fill them in later on and send him a copy of what he had signed.

Senator KERRY. Now, he asked you to explain these documents to him on the basis of what you read, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. What did you explain to him?

Mr. BILGRAMI. Well, I myself didn't understand them much because I—there were a lot of legal terms in that. All I mentioned—it—all I told him was that it had to do with the purchase of First Financial General, a bank acquisition. And he told me, oh yes, that's Mr. Abedi's project.

Senator KERRY. Now, there was language in there regarding buy-back, that you recall?

Mr. BILGRAMI. I can recall—I'm not 100 percent sure, but I remember there were loans, there were proxies, there were voting rights, things of that nature. Buy-backs, I can't be 100 percent sure. It was some time ago.

Senator KERRY. But you are sure, are you not, that you understood the transaction was a loan from BCCI to Mr. Darwaish to purchase——

Mr. BILGRAMI. I'm sorry. I'm not sure whether it was a loan to him or not. It was documents which he was signing. I didn't know if he was signing it in his personal capacity, or as chairman of Sheikh Zayed's department.

Senator KERRY. Do you recall whether or not it was a loan to purchase stock on behalf of Sheikh Zayed through a third corporation?

Mr. BILGRAMI. There was a name of another corporation there, yes.

Senator KERRY. And there was, in fact, documentation about a loan?

Mr. BILGRAMI. It was a loan, yes.

Senator KERRY. And it was a loan for the purchase. Is that correct?

Mr. BILGRAMI. It had to do with Financial General and it was indirect. It was—as I said, it was through another corporation.

Senator KERRY. And you understood Financial General to be a bank in the United States?

Mr. BILGRAMI. That's right.

Senator KERRY. And you understood that also—he said at that time, Mr. Darwaish said that this was Abedi's project?

Mr. BILGRAMI. This was one of Mr. Abedi's projects, yes.

Senator KERRY. That's what he said?

Mr. BILGRAMI. That's right.

Senator KERRY. Did you understand at that time that this was a loan from BCCI for purchase of this bank?

Mr. BILGRAMI. I understood it to be a loan. I did not know the exact implications of it or its magnitude, or what it was about at that time. No.

Senator KERRY. Did you understand that BCCI was lending money to Sheikh Zayed or his representatives?

Mr. BILGRAMI. I wasn't sure how they were handling it. All I knew was that it was a transaction which involved either Sheikh Zayed or Mr. Darwaish, and it was a loan to start off with. I don't know what happened afterward, but this was definitely a loan.

Senator KERRY. Did you understand that BCCI was agreeing to buy back shares?

Mr. BILGRAMI. At that time, my knowledge of these things was very limited. I really did not understand that. All I felt was—my opinion at that time was that it was something which BCCI controlled.

Senator KERRY. It was my understanding that in a discussion with the staff, you indicated that you did interpret this as a buy-back of shares.

Mr. BILGRAMI. That was my personal opinion, yes.

Senator KERRY. That was your opinion at that time?

Mr. BILGRAMI. That's right.

Senator KERRY. Is that correct?

Mr. BILGRAMI. That's right.

Senator KERRY. So you interpreted what you read to indicate that there would be a buy-back of the shares, correct?

Mr. BILGRAMI. As far as I can recollect that's how it looked like.

Senator KERRY. And you also understood, I believe, that this was a loan for the purchase of this Financial General Bankshares. Is that correct?

Mr. BILGRAMI. Well, it had to do with the purchase. There were a lot of other steps involved according to the documents. I did not understand them, but I just gave him a gist of what I thought I understood.

Senator KERRY. What was the gist?

Mr. BILGRAMI. The gist was that this was a loan to purchase the bank in the United States.

Senator KERRY. Now how did you reach those conclusions?

Mr. BILGRAMI. From a very brief review of about 25 pages of documents.

Senator KERRY. Now, at first, did not Mr. Darwaish say that he was reluctant to sign the documents because they were in blank?

Mr. BILGRAMI. Not—it wasn't that. I think he was just being lazy about it. It was then when I was told to have it signed that I insisted, then he said, OK, you know, why don't you have a look at it. I don't know whether he was being reluctant or he didn't want to sign it because of blanks, but for some reason he was not very much in a hurry about it.

Senator KERRY. Based on your knowledge of the relationship then between Mr. Darwaish and Sheikh Zayed, do you believe that Mr. Darwaish would have tried to deceive Mr. Zayed—Sheikh Zayed?

Mr. BILGRAMI. My—no, I don't think so. I—my personal feeling at that time was it was something that had been discussed between Mr. Abedi and Mr.—and the sheikh, and it was something which Mr. Darwaish was implementing.

Senator KERRY. But in point of fact, you cannot really say what the sheikh knew and what he did not know?

Mr. BILGRAMI. No, I cannot.

Senator KERRY. OK. Did Abu Dhabi on other occasions make investments of a similar nature with documents that were in blank?

Mr. BILGRAMI. A lot of properties initially which were purchased were purchased in that manner and then documented properly afterward.

Senator KERRY. How long did you have to review these documents?

Mr. BILGRAMI. I think it was a short time. I can't tell you, but it wasn't very long, no.

Senator KERRY. But they interested you, did they not?

Mr. BILGRAMI. Yes, they did. I was interested and I had heard about the rumors of the purchase of the bank and it interested me.

Senator KERRY. And you spent some time with them?

Mr. BILGRAMI. I did.

Senator KERRY. You also made a copy of those documents, or at least——

Mr. BILGRAMI. I was—yes, I did.

Senator KERRY. You kept them with your personal papers?

Mr. BILGRAMI. Well, I was going to—since I had to DHL these documents, I just kept a copy in case something happened and when I went back, no one asked for the copy and I had them with my files in the office, and subsequently, when I was moved I had them with me.

Senator KERRY. Do you know where they are now?

Mr. BILGRAMI. No, I have no idea.

Senator KERRY. After Mr. Darwaish signed these documents regarding a U.S. bank, did you tell the senior officers at BCCI?

Mr. BILGRAMI. I immediately phoned them and said that I had convinced him to sign the papers as they requested and also the blanks, initialed them and Mr. Rizvi said, that's great, and please send them urgently back.

Senator KERRY. What else? Didn't he say something more to you at that time?

Mr. BILGRAMI. Much later on, when—when I came back, I just asked him how it was going and he said that it was going well, but to keep them very confidential.

Senator KERRY. He told you to keep it totally confidential.

Mr. BILGRAMI. That's right.

Senator KERRY. Correct?

Mr. BILGRAMI. Yes.

Senator KERRY. And he told you also that it was very sensitive?

Mr. BILGRAMI. That's right.

Senator KERRY. And this took place from late October of 1977 to early April of 1978?

Mr. BILGRAMI. I—it's the dates—it's been sometime. I can't be very specific whether it was around that period.

Senator KERRY. At some time later, did you come to hear of regulatory problems in the United States regarding this transaction?

Mr. BILGRAMI. Yes.

Senator KERRY. What did you hear?

Mr. BILGRAMI. Well, I was in a marketing call to Venezuela with one of my superiors and he told me that—that the bank had run into problems with this investment.

Senator KERRY. And did Mr. Darwaish tell you that he had to give depositions?

Mr. BILGRAMI. Later on, when Mr. Darwaish went to the States, he came back, he told me he had given depositions on this matter.

Senator KERRY. And did he say something about a gentleman named Mr. Fulaij?

Mr. BILGRAMI. That's right.

Senator KERRY. What did he say?

Mr. BILGRAMI. He said he'd done pretty badly and he had done very well.

Senator KERRY. What was the mess that Fulaij had created? What did you understand he had done?

Mr. BILGRAMI. I believe he had—there were some hearings and he had performed not as was expected of him because of his lack of knowledge of English, and because of that he created some misunderstandings which were cleared up by Mr. Darwaish.

Senator KERRY. And at this point, you understood that the bank that was involved was Financial General Bankshares, known today as First American. Is that correct?

Mr. BILGRAMI. Yes.

Senator KERRY. You understood that BCCI was buying the bank. Is that correct?

Mr. BILGRAMI. That is what I understood then. Internally, that was how it was known to be.

Senator KERRY. It was not your impression that Sheikh Zayed was buying the bank?

Mr. BILGRAMI. No. That was my personal impression.

Senator KERRY. Correct, based on the documents you saw and the type of transaction that took place. Is that correct?

Mr. BILGRAMI. And the subsequent discussions internally gave me to believe.

Senator KERRY. What was the subsequent discussion?

Mr. BILGRAMI. Well, over a period of time there were a lot of discussions internally amongst ourselves.

Senator KERRY. What were those discussions?

Mr. BILGRAMI. Well, whether the bank was independent, or whether it was part of the same group and it was always thought of as being a part of BCCI. We never went into detail about who owned it because BCCI was owned, supposedly owned—majority was ICIC, which was supposed to be a trust for the employees, so we never discussed whether Sheikh Zayed owned it or not. It was just part of the same group.

Senator KERRY. Well, what were the indicators? What made all of you believe that this was part of the same group?

Mr. BILGRAMI. Well, it's—it—this is over a period of time, so I can just relate to you how it happened. First, my personal involvement when I was with Mr. Darwaish. Second, afterward, the way the discussions used to take place internally about the projections of the Americas. And third, how BCC personnel were going into First American National Bank of Georgia. A lot of us were trying to get ourselves transferred and we knew that Mr. Abedi and Mr. Naqvi were making those decisions.

Afterwards, we were doing joint marketing and we had people from First American Bank of Georgia coming to our internal con-

ferences, being called sister banks. Take all those factors, these are the ones I can remember now—there might be many more, which made me to believe we were one and the same group.

Senator KERRY. Now, was there a problem that developed with a copper market investment made by Darwaish?

Mr. BILGRAMI. Yes, around 1980 or 1981, I think. I was working in Parklane at that time. The department of Sheikh Zayed was heavily involved in bonds and also copper investments. I—they were being done through Credit Suisse—and I think they were investing or trying to make some huge profits in copper, and in fact, turned out to be losses.

Senator KERRY. So they lost about $500 million?

Mr. BILGRAMI. This was the rumor. I was—you know, I was told that it was about that amount.

Senator KERRY. And the impact of the copper losses on Darwaish were what?

Mr. BILGRAMI. I believe—well, he was blamed for those losses and there was some people who alleged that he had personally benefitted from those transactions and there was an investigation and he was removed from that position and placed in—in—in country arrest.

Senator KERRY. Now, around 1981-82, you had been transferred to Colombia, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. So you were in Latin America. You came back briefly to London. Is that right?

Mr. BILGRAMI. I was still called back because they were of a firm of litigators, lawyers who were investigating the whole issue, all the accounts which I had managed for Sheikh Zayed and for that I was called back.

Senator KERRY. What happened to Darwaish at that time?

Mr. BILGRAMI. Initially, he was placed in country arrest, subsequently under house——

Senator KERRY. In Abu Dhabi?

Mr. BILGRAMI. In Abu Dhabi, then he was placed under house arrest and then there was an extensive investigation conducted by a firm of lawyers, litigators, and they investigated all the accounts which I had managed on behalf of the bank for this client.

Senator KERRY. Have you ever seen him again?

Mr. BILGRAMI. I was—in 1985, his brother came to see me asking me to give an affidavit regarding Spain, whether I knew of any transaction where he had personally benefitted. I had seen none of the sort. I was willing to give that affidavit, but I was told by Mr. Naqvi not to do that.

Senator KERRY. So you did not do it?

Mr. BILGRAMI. I couldn't do it.

Senator KERRY. And you have not seen him since 1980?

Mr. BILGRAMI. I have not seen him since 1981 actually.

Senator KERRY. Now, later you were in Venezuela, correct?

Mr. BILGRAMI. I——

Senator KERRY. You were transferred back. You went to Colombia and then Venezuela?

Mr. BILGRAMI. No. I was—I was in London until 1981, and I was in different branches, also went to Spain. We tried to buy a bank

in Spain there, and I was also visiting Venezuela, Ecuador for marketing. I was still based in London.

Senator KERRY. OK. At that point in time, did you begin to hear of problems with the purchase of the National Bank of Georgia or First American from a Mr. Al-Khalany?

Mr. BILGRAMI. That's right.

Senator KERRY. What problems did you hear about?

Mr. BILGRAMI. Well, the first time they came up with the situation was in Venezuela. We were giving a loan to the country of Venezuela. We did give a loan of $180 million. It was a private placement, and as a part of that loan, the understanding was that the Central Bank of Venezuela would approve us to place funds with BCCI.

We did give the loan, but then the Central Bank didn't approve us to be—to be able to receive the deposits, and one of the reasons cited was to do with Bert Lance and the investigations of that, to do with Financial General—the SEC investigations into the bank, and because of that they had deferred the decision on putting us on the approved list for deposits.

Senator KERRY. The operating understanding within BCCI then, for yourself and others, was that all of the banks, BCCI, First American, National Bank of Georgia, would eventually be operating openly as one bank, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. And you were told on a number of occasions that that had to be kept a secret. Is that correct?

Mr. BILGRAMI. Yes, because some of us, at times marketing openly mentioned to potential clients that we were one and the same group and I was told on one particular occasion not to do that because that would create some problems.

Senator KERRY. Regulatory problems?

Mr. BILGRAMI. That's right.

Senator KERRY. Specifically, correct?

Mr. BILGRAMI. Yes, that's the word used. Yes.

Senator KERRY. Did you ever have any discussions with anybody at that point about the real relationship between First American and BCCI?

Mr. BILGRAMI. Well, I discussed it with Mr. Al-Khalany in the late seventies, and he mentioned, you know, that actually, it was part of the same.

Senator KERRY. What about Imram Iman?

Mr. BILGRAMI. That was much later.

Senator KERRY. That was later?

Mr. BILGRAMI. That's right.

Senator KERRY. But you did have a discussion with him about First American being your bank, belonging to BCCI?

Mr. BILGRAMI. That's right, being the same group.

Senator KERRY. And what did he tell you, anything else?

Mr. BILGRAMI. Well, he just more or less confirmed that understanding of mine.

Senator KERRY. Did you come to learn that a BCCI affiliate called Credit and Finance Corporation had loaned money to another bank in order to make it look like that other bank, BAII, was lending money for the purchase of First American?

Mr. BILGRAMI. Yes.
Senator KERRY. You did?
Mr. BILGRAMI. Right.
Senator KERRY. And what were the circumstances of that?
Mr. BILGRAMI. Well, I was in London—I can't remember the exact date, it was in the eighties. It could have been 1984 or 1985, or around that time, and I was about—I had to meet Mr. Naqvi. In the meantime, I was with a friend of mine, a colleague of mine, who was working in CFC, Mr. Ahmed, and he told me about that loan and he showed me the file.
Senator KERRY. Let me just ask, apparently there is a bag, hang-up bag hanging in the corner of the hearing room over here somewhere which belongs to someone. Is there anybody here who knows who owns that? Is there anybody here who owns it?
OK. We are just going to take—there is no owner here? All right, we are going to take a brief recess for a moment, if we can folks, while we just check this bag out.
[A brief recess was taken.]
Senator KERRY. We are all set. Be seated and relax. Now, on this occasion that you heard about this other bank having loaned the money to make it look like the purchase, could you explain the circumstances of that, please?
Mr. BILGRAMI. Well, as I explained to you earlier, I was waiting on the desk of Mr. Ahmed and he was on the phone, I think, talking to BAII when he stopped and I asked him, what's going on. And he told me what he was doing, and he said, why don't you have a look at the file, and I looked at the file and it showed exactly how the transaction was being conducted. It was pretty thick.
Senator KERRY. Now, what did it show? It showed that BCCI——
Mr. BILGRAMI. It showed that BCCI was placing $50 million with BAII and under that understanding, it was like a lien. The funds would remain with BAII until the loan was repaid, and BAII would then give that—would give that company a loan with the underlying security being the $50 million deposit from BCCI.
Senator KERRY. Is there anything unusual about that?
Mr. BILGRAMI. In BCCI we—a lot of transactions were done like that, but it was unusual in the sense that it—another bank was being used. Usually, it was always internally done, but in this instance, another bank was being used, and I was given to understand by Mr. Ahmed that that was being done so as to go around the regulatory situation.
Senator KERRY. And the money was matched by a corresponding deposit by BCCI into BAII?
Mr. BILGRAMI. That's correct.
Senator KERRY. To cover it?
Mr. BILGRAMI. That's right.
Senator KERRY. OK. And the purpose, therefore, was to go around the regulators, to distance the transaction or the connection between BCCI and First American. Is that accurate?
Mr. BILGRAMI. That's right.
Senator KERRY. OK.
Mr. BILGRAMI. Excuse me, and the company which was receiving the loan, to distance BCCI from the company. It was a holding company.

Senator KERRY. Was there a relationship between BCCI and BAII?

Mr. BILGRAMI. Well, the only relationship was that Mr. Lamarche, who was the chairman of BAII, was also a board member of BCCI. That's the only relationship I understood to exist.

Senator KERRY. Did there come a time when you were, in fact, told to think of BCCI and First American as one bank?

Mr. BILGRAMI. Much later, in 1987 or 1988, we were making plan, a master plan for the 1990's, 1990 up to 1995, and I was on that committee in Miami and in my discussions with Mr. Shafi, who was my general manager, he gave me that understanding that we should make those plans and projections based on that premise.

Senator KERRY. And you were at a meeting, were you not, where you were working on this plan?

Mr. BILGRAMI. Yes.

Senator KERRY. What year was this, in 1986?

Mr. BILGRAMI. It would be 1987 or 1988, I think, around that time.

Senator KERRY. And you asked specifically, what about First American in making up this plan, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. What were you told?

Mr. BILGRAMI. That that will be taken into—into the plan. Take the figures into the plan.

Senator KERRY. Were you not told specifically the words, think of it as one?

Mr. BILGRAMI. That's right.

Senator KERRY. Those are the words that were used?

Mr. BILGRAMI. Yes.

Senator KERRY. Who used those words?

Mr. BILGRAMI. If I remember correctly, it was Mr. Shafi.

Senator KERRY. Mr. who?

Mr. BILGRAMI. Mr. Shafi.

Senator KERRY. Shafi. Did you ever learn that BCCI was directing First American to buy the Bank of Georgia—National Bank of Georgia?

Mr. BILGRAMI. Yes.

Senator KERRY. When did you learn that?

Mr. BILGRAMI. It has to—1986, around that time. I think it was 1986. I can't be 100 percent sure, but it was around that time.

Senator KERRY. How did you learn it?

Mr. BILGRAMI. Well, I had—Mr. Tariq Jamil was at that time in National Bank of Georgia and he was just coming on back to BCC, and he told me about it, and also, subsequently later, Mr. Lodhi, he told me about it.

Senator KERRY. Jamil, Tariq Jamil, at that time, discussed the First American situation with you, correct?

Mr. BILGRAMI. The National Bank of Georgia purchase by First American, yes.

Senator KERRY. He told you that that was going to happen and he called it a logical progression?

Mr. BILGRAMI. That's correct.

Senator KERRY. Now, within BCCI, was it generally understood as part of the bank's culture that BCCI would make payments, or loans, or bribes to political or governmental figures?

Mr. BILGRAMI. I don't know whether it was part of the culture, but it was a normal practice.

Senator KERRY. Normal practice?

Mr. BILGRAMI. Normal practice.

Senator KERRY. I do not mean culture in terms of ethnicity or anything, I just mean culture, normal practice. I do not mean——

Mr. BILGRAMI. But if I may add, Senator, in my brief experience in banking with BCC, I also found other institutions to be doing exactly the same thing.

Senator KERRY. Other banking institutions?

Mr. BILGRAMI. Other banking institutions.

Senator KERRY. OK. Now, although—you knew of this because people talked about it within the bank?

Mr. BILGRAMI. Well, I was first exposed to it in London myself and that was the only time I didn't perform very well, and that was the only time I was directly involved in one instance. But then I came to know of other instances indirectly.

Senator KERRY. Did you personally become involved in handling any of these so-called bribes or special loans?

Mr. BILGRAMI. In one instance I was directly involved.

Senator KERRY. In one instance.

Mr. BILGRAMI. One, and two others, but indirectly.

Senator KERRY. What was that? What was that instance?

Mr. BILGRAMI. Well, this was a situation where a senior official from the Central Bank of Sudan had come over to London and I was called over by my superiors and told that I was take care of him. And he asked me to take 100,000 pounds in——

Senator KERRY. That is all right, go ahead.

Mr. BILGRAMI. Well, he asked me to take 100,000 pounds in cash and accompany him to purchase anything he wanted, which I did. But at that time, I was not familiar with how these things were done, so I was taking receipts for each purchase he was making and he was somewhat uncomfortable with that situation and he told me that other banks didn't do that. So—but he did go ahead and buy whatever he wanted to.

Senator KERRY. That is the only instance where you personally or directly were involved?

Mr. BILGRAMI. Directly involved in this instance.

Senator KERRY. Do you know—do you have first-hand information of any other instances of special favors being done or bribes?

Mr. BILGRAMI. There was another instance, when I was in Parklane branch where we were approached by a gentleman from Nigeria, connected with Nigeria, that there were deposits involved to the extent of $1 billion and if you were willing to pay commissions or bribes, those deposits would come through. Myself and my manager, we referred it to Mr. Naqvi's office and it was handled, and subsequently that person told me that the deposits did come through and the payments were made. But to whom they were made, I don't know.

Senator KERRY. You do not know how much?

Mr. BILGRAMI. But they had to do with the Central Bank. I believe the figures were in excess of $5 million.

Senator KERRY. And what about this person, the Sudanese official that you talked about, how much did he spend or charge?

Mr. BILGRAMI. Well, I was—I was given 100,000 pounds. He spent I think about 78,000, something like that.

Senator KERRY. In what, one afternoon?

Mr. BILGRAMI. I think in two shopping trips.

Senator KERRY. Do you know of any other payments to political figures or Central Bank figures, or foreign officials?

Mr. BILGRAMI. There was one in—another instance in England. Again, I was involved, but indirectly, where they payments were being made to the—Rhodesian delegation at that time, Zimbabwe. There were negotiations going on and there were payments made in that connection also.

Senator KERRY. Did you know of any payments that Mr. Sakhia made, or Mr. Abedi personally made for anyone?

Mr. BILGRAMI. Personally? I am not aware of any personal. I am only aware of presents which Mr. Abedi used to give and—and watches, expensive watches and things of that sort.

Senator KERRY. What about Mr. Sakhia?

Mr. BILGRAMI. There were rumors within the branch. I had no first-hand knowledge. No.

Senator KERRY. All right. In Zimbabwe?

Mr. BILGRAMI. That's the one I mentioned early on.

Senator KERRY. That's the one you mentioned, in Nigeria. What about China?

Mr. BILGRAMI. Well, in China, I don't know whether—what that was. It was expenses paid on the—where there was a delegation, a Chinese delegation which visited Latin America. About eight countries were either present and on instructions of Mr. Abedi and Mr. Naqvi, we paid for their whole trip.

Senator KERRY. Now, is there anything unusual about that? Don't businesses court people all the time, entertain them, hope to get business? I mean, that seems to me to be fairly standard procedure.

Mr. BILGRAMI. Yes, this kind of situation, it used to be. For example——

Senator KERRY. I mean, that really does not strike me as fitting into the category of bribe that you talked about earlier.

Mr. BILGRAMI. No, this would be different. This was just paying expenses.

Senator KERRY. But were there occasions—there were occasions like Nigeria and others where you specifically did a bribe where——

Mr. BILGRAMI. That's right.

Senator KERRY [continuing.] There were kickbacks, there was an arrangement.

Mr. BILGRAMI. That's right.

Senator KERRY. Is that correct?

Mr. BILGRAMI. That's correct.

Senator KERRY. What about in Peru, were there any of those kinds of special relationships?

Mr. BILGRAMI. In Peru, I was told that there was—we got the Central Bank account, where the bank deposited about $300 million, and that was based on a kickback.

Senator KERRY. And you agreed to keep a certain amount of money hidden for Peru. Is that correct?

Mr. BILGRAMI. Well, it was supposed to be kept in Panama very confidentially so that—that some U.S. banks or European banks wouldn't get their hands on it.

Senator KERRY. Do you know of any officials in Latin America who received money in exchange for using BCCI?

Mr. BILGRAMI. Umm—well, we had this Peru situation where I was given to believe that officials did receive money to place those funds with us.

Senator KERRY. You say you were given to believe. Who told you that?

Mr. BILGRAMI. Well, I was told by my boss at that time, Mr. Shafi, that that account had been obtained by giving—commissions is the word he used.

Senator KERRY. And who were the people who met at that time, Mr. Shafi, Mr. Tariq Jan?

Mr. BILGRAMI. Well, there—there were two points where there were two different—two different times they were—There were many discussions, but the initial relationship was initiated by Mr. Brian Jensen. He started the relationship. Subsequently——

Senator KERRY. When you say started the relationship, the relationship with whom?

Mr. BILGRAMI. With the Central Bank of Peru.

Senator KERRY. OK. And who—what officials did they deal with directly?

Mr. BILGRAMI. He was dealing with the two main senior officials of the Central Bank. I can't remember the names. I remember that he spent about a week in Panama where they had lengthy negotiations and there were expenses relating to that which were paid by our office in Miami.

Subsequently, Mr. Shafi went down to Peru where, he told me later on, that he met Mr. Alan Garcia, the president, who had confirmed that their deposits would be transferred to BCCI.

Senator KERRY. Now, I have a document here which is a letter that you signed and you sent it to Mr. Shafi, your boss, and I am going to put this letter in the record at this point in time, regarding Mr. Mishkin's dinner. Now, this was a dinner concerning a political fundraiser for President Carlos Andres Perez of Venezuela, from you to another BCCI official.

[The information referred to follows:]

SEN 000525

LATIN AMERICA & CARIBBEAN REGIONAL OFFICE
1200 BRICKELL AVENUE. 15th FLOOR MIAMI, FLORIDA 33131-3288 U.S.A.

DATE August 28, 1987 MKT/ 4210

FROM: Akbar Bilgrami
BCCI-LAR-Caribbean

TO: Mr. S.M. Shafi
BCCI-LAR-Caribbean

SUBJECT: Mr. Mishkin's dinner

Further to our conversation about the dinner that is organized by Mr. Leon Mishkin in Caracas for the candidate of "Accion Democratica" Ex-President, Mr. Carlos Andres Perez, following are the features of the event for your consideration:

- The dinner is for twenty five persons with a contribution of Bs200,000.00 (approx. US$6,666.00) ,at the actual foreing exchange,a total of Bs5,000,000.00 (approx. US$170,000.00)

- The dinner will be at Mr. Mishkin's house on January or February 1988.

- We have to deliver right now the check but dated January 88 in the name of Mr. Carlos Andres Perez.

- The dinner will take place on January 88 only if Mr. Carlos Andres Perez is elected candidate inside of this party on October 1987. If he is not, the check will be returned to the issuers by Mr. Mishkin.

Would appreciate if you would kindly approve the issuance of the check by the Rep. Office for Bs200,000.00, and I am sure that the expense,if incurred, will be beneficial to BCC in the long run.

Best regards,

Akbar Bilgrami

C 0002102

Senator KERRY. Is that correct?

Mr. BILGRAMI. That's right.

Senator KERRY. And you asked for a contribution by BCCI to a dinner for Perez for about $6,600?

Mr. BILGRAMI. That's right.

Senator KERRY. And the check was to be postdated 4 months, and it was to be returned if Perez were not elected president. Is that correct?

Mr. BILGRAMI. I don't remember. Can I have a look at this document?

Senator KERRY. Yes. [Pause.]

Mr. BILGRAMI. It says here, if he's not elected candidate, not president, a candidate for the—the party there, Acion Democratica.

Senator KERRY. So it was a contribution to be contingent only on his candidacy as the party's candidate?

Mr. BILGRAMI. That's right.

Senator KERRY. The theory being what?

Mr. BILGRAMI. The theory being that there's no point making a contribution if he's not going to be a candidate.

Senator KERRY. Why?

Mr. BILGRAMI. Because if there are any favors to be taken subsequently, it could be only obtained if he was president.

Senator KERRY. OK. So in other words, the theory—was there already a relationship with him?

Mr. BILGRAMI. I was given to believe that there was, but from London, not from our office.

Senator KERRY. And who ordered you to pay this money?

Mr. BILGRAMI. Mr. Shafi approved this.

Senator KERRY. How was the amount of money arrived at?

Mr. BILGRAMI. This was actually a dinner, open public dinner where people who wanted to sit with him would pay this contribution.

Senator KERRY. Was this viewed as out of the ordinary, or was this standard practice?

Mr. BILGRAMI. This was standard practice. I believe it was also done in the States on a number of occasions by Mr. Sakhia.

Senator KERRY. By Mr. Sakhia?

Mr. BILGRAMI. That's right.

Senator KERRY. To what, to American politicians?

Mr. BILGRAMI. That's right, dinners where, you know, you have to pay a contribution of——

Senator KERRY. So you make a contribution?

Mr. BILGRAMI. That's right.

Senator KERRY. Through individuals or through the corporate entity?

Mr. BILGRAMI. Sometimes through individuals, sometimes through the corporate entity directly. [Discussion off the record.]

Senator KERRY. Now, when you were in Colombia, did BCCI tell you to cook the books in order to inflate profits?

Mr. BILGRAMI. Yes.

Senator KERRY. Can you explain that?

Mr. BILGRAMI. Well, we purchased the bank in 1983. When we purchased the bank, we knew it was a sick bank. We had injected some capital, $5 million into the bank, but once we took over the

bank, we realized that it was sicker than we had thought and it was projected that by the year-end, the bank would make a loss of about a million dollars, and I went to London and had discussions in London, and I told them of the situation.

And I was told that we couldn't—the bank couldn't afford to show a loss in Colombia since it was the first purchase in Latin America, and we were going to buy subsequent banks in other countries, so it was important to show how BCC could quickly turn around the bank. So I was told to—and there was a meeting held in which I was told how to go about fixing the figures.

Senator KERRY. And in that meeting, you sold—you depreciated an old asset and then proceeded to sell that asset to a nominee for an inflated sum of money?

Mr. BILGRAMI. For the market value. We had it on our books—I'd say, I can't remember the exact figure, but let's say——

Senator KERRY. You made—and made an in-house loan, right?

Mr. BILGRAMI. That's right.

Senator KERRY. And the nominee did not pay the loan and at some time down the road, the bank would just get the asset back?

Mr. BILGRAMI. That's right.

Senator KERRY. So you increased the value of the books by the amount of the phony loan?

Mr. BILGRAMI. That's right.

Senator KERRY. That was standard practice?

Mr. BILGRAMI. The person who explained to me, it seemed that he had done it a lot of times.

Senator KERRY. Now, did you also get shown how to generate funds using nominees by selling phony feasibility studies to Colombia?

Mr. BILGRAMI. Well, the same instance, since this asset was only—we take care of only $300,000, there was a shortfall of $700,000 to $800,000. So then I was told to prepare three feasibility reports under which payments would be made into the bank for that amount.

Senator KERRY. And you sold those for $350,000 each, each feasibility study?

Mr. BILGRAMI. It was $300,000 or $350,000, yes.

Senator KERRY. And who did you sell them to?

Mr. BILGRAMI. Well, I was told to make receipts in the name of three clients, all shareholders of the bank.

Senator KERRY. Mr. Pharoan?

Mr. BILGRAMI. That's right.

Senator KERRY. Mr. Adham?

Mr. BILGRAMI. That's right.

Senator KERRY. And Mr. Fulaij.

Mr. BILGRAMI. I think that was the last name. It was either Mr. Hammoud or Mr. Falaij, I'm not sure.

Senator KERRY. Now, why would they buy these studies? They did not really buy these studies did they?

Mr. BILGRAMI. No.

Senator KERRY. And they did not ever come and look at the proposed investments, did they?

Mr. BILGRAMI. No.

Senator KERRY. And what did they get for their $350,000 or $300,000 each?

Mr. BILGRAMI. Very nice feasibility studies.

Senator KERRY. And they never really paid a penny of the money, did they, because BCCI just loaned it to them?

Mr. BILGRAMI. The payments came from Grand Cayman and I was subsequently told that they came by there from loans. I don't really know how they came, but they came in their names from——

Senator KERRY. But you know that it was a phony transaction creating phony profits?

Mr. BILGRAMI. Yes, I was told that.

Senator KERRY. And in that way, you generated the $1.1 million needed to cover for the bank.

Mr. BILGRAMI. Well, the—and the bank, the funds came in physically, so as far as the Colombian entity was concerned, those $750,000 were clear funds as if a profit on the book, which was funds coming in, but within the BCCI group, yes, it was phony.

Senator KERRY. Was this a typical way of BCCI doing business with nominees?

Mr. BILGRAMI. As I explained to you, when I was in London and these transactions were explained how it should be done, I was told this was done very frequently in other countries.

Senator KERRY. BCCI also created duplicate sets of books, correct?

Mr. BILGRAMI. In what sense, sir?

Senator KERRY. In the Grand Caymans?

Mr. BILGRAMI. That's right. Well, the books for—for the Grand Cayman operation was run out of London.

Senator KERRY. Why did they create a second set of books for the Grand Caymans?

Mr. BILGRAMI. I think at some time the British regulatory authorities objected to that, so that's why they were done. I'm not 100 percent sure, but I was given to believe that was the reason.

Senator KERRY. Did you send flight capital to the United States from Colombia?

Mr. BILGRAMI. We used to market flight capital like all the other banks in Colombia, yes.

Senator KERRY. All of that money is questionable money, is it not?

Mr. BILGRAMI. Well, the term, flight capital, it's all questionable money. It essentially consisted of people who are not—who don't want to pay taxes, drug money, corrupt money in the sense of kickbacks. I understand, according to the World Bank, that market is worth $1 trillion.

Senator KERRY. Well, according to you, you were small because you were only able to take in $100 million yearly. Is that right?

Mr. BILGRAMI. We were small compared to our competitors, the European and American banks, yes.

Senator KERRY. Other banks were taking in $1 billion each?

Mr. BILGRAMI. Well, according—I can't say the exact figure, but I can only say that I read a report from the IMF, the World Bank, the flight capital market was in the region of $1 trillion.

Senator KERRY. So you were losing out on the flight capital market?

Mr. BILGRAMI. We were trying to catch up to our competitors, so to speak, and that was the major thrust of Mr. Abedi and Mr. Naqvi, that we weren't doing the job as good as the others were doing.

Senator KERRY. Now, let me repeat this. Flight capital money is tax evasion money?

Mr. BILGRAMI. Tax evasion money.

Senator KERRY. Drug money?

Mr. BILGRAMI. Gun running.

Senator KERRY. Arms transactions, illegal arms transaction money, pure political corruption money, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. Did you have occasion to come to understand the relationship of Mr. Clifford and Mr. Altman to BCCI?

Mr. BILGRAMI. Well, the internal classification amongst ourselves was that they were BCCI's people in the United States. I did not—I was not privy to any of their private conversations which took place between Mr. Abedi, or Mr. Clifford, or between themselves, but this was what was the——

Senator KERRY. Did you see them at meetings?

Mr. BILGRAMI. Yes.

Senator KERRY. In London?

Mr. BILGRAMI. In London, in conferences, and in Miami.

Senator KERRY. Did you have occasion to learn of document alteration or document destruction?

Mr. BILGRAMI. Yes.

Senator KERRY. What were those occasions?

Mr. BILGRAMI. There's one situation observed in 1988, around August when we received subpoenas from this committee, and around that time, I was asked to prepare and alter documents.

Senator KERRY. Who asked you to prepare them?

Mr. BILGRAMI. I was told by Mr. Shafi that he had got instructions from London that we should create a document—rather minutes of the meeting which was—which took place in 1987.

Senator KERRY. What meeting?

Mr. BILGRAMI. There was a meeting which Mr. Abedi had—when he had come to Miami, there was a large conference which took place in Miami. Prior to that conference, a small meeting took place in which supposedly he had given certain instructions. Mr. Shafi didn't realize that I was not in that meeting, so I told him that I was not there, so I couldn't really create something which I didn't know what happened. So then he told me that he would leave that work to someone else to do. Subsequently, I found——

Senator KERRY. Do you know who did it?

Mr. BILGRAMI. I—he instructed Mr. Bande Hasan to make those minutes.

Senator KERRY. And these were to make minutes of the meeting that did not happen, or make minutes of a meeting that had happened?

Mr. BILGRAMI. This is to make minutes of a meeting—this is to make minutes in 1988 of a meeting which supposedly took place in

1987, where certain things were said to—which I know were not said, because I would have known about it.

Senator KERRY. OK. And what were the certain things supposed to be, do you know?

Mr. BILGRAMI. Those were that Mr. Abedi had given instructions to all the staff that we were not to target flight capital, that we were not to break any exchange control regulations, that we were not to take any drug money or any suspicious money, and essentially not to break any laws of any country.

Senator KERRY. What was the subsequent incident?

Mr. BILGRAMI. Around the same time I was also requested to reduce our figures, EMP figures, which were funds coming in from Latin America and placed in other branches of BCC. I was asked to reduce that by around $100 million, specifically from Panama and Colombia. This was in response to the subpoena.

Senator KERRY. Did you ever backdate documents?

Mr. BILGRAMI. Well, these figures had to be more or less backdated, so that was the only one which I had to do. [Pause.]

Senator KERRY. There was a third occasion where there was document alteration, which was the reduction of the deposits. Was that not true?

Mr. BILGRAMI. That's the one I mentioned earlier on, Senator.

Senator KERRY. Oh, I am sorry. All right, that is my mistake. Thank you. Now, after you were arrested in the Tampa case, were you—was there a time when you wanted to cooperate with the prosecutors?

Mr. BILGRAMI. Well, at a certain time, we did—I did contemplate doing that, yes.

Senator KERRY. And the bank told you not to?

Mr. BILGRAMI. The bank—I got direct messages from the bank that not to do that, that they would find a global—a global agreement with the—with the prosecution team.

Senator KERRY. And what happened subsequently?

Mr. BILGRAMI. Well, right at the end, we were more or less dropped out and the bank left us to go ahead.

Senator KERRY. Let us be more graphic about this. Is it not accurate that you were told by the bank they were going to take care of you and protect you in this process?

Mr. BILGRAMI. That's—that's it exactly.

Senator KERRY. And they did not want you to talk to the prosecutors, correct?

Mr. BILGRAMI. Preferred not to, no.

Senator KERRY. They did not want you to cut a deal for yourself, right?

Mr. BILGRAMI. That's right.

Senator KERRY. So they said, no, we are going to get a whole global agreement here for all of us, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. But at the very end, almost the eve of the trial, they dropped you, did they not, and they did a plea for themselves?

Mr. BILGRAMI. That's correct.

Senator KERRY. Is that correct?

Mr. BILGRAMI. That's correct.

Senator KERRY. And they left you folks out there hanging on your own, right?

Mr. BILGRAMI. Yes.

Senator KERRY. Were you surprised at that plea agreement?

Mr. BILGRAMI. Well, our lawyers had advised us that it was possible that it was going to happen, but unfortunately, we tended to believe the direct messages coming out of London, and we were totally shocked.

Senator KERRY. And why were you shocked?

Mr. BILGRAMI. We were given clear understandings that this would not happen in the past, also when BCCI had got into trouble they had—also, because of the culture of which you spoke, which was supposed to be a family and the philosophy that Mr. Abedi had instilled in us was that it was just one big family.

And earlier on where there had been situations where employees had—where employees had been infringed and employees had been put in prison, the bank had bailed them out, so to speak.

Senator KERRY. Were you surprised about the fact that the bank seemed to get off and you did not?

Mr. BILGRAMI. Very surprised.

Senator KERRY. Why did that surprise you?

Mr. BILGRAMI. Well——

Senator KERRY. Did the plea bargain seem to make sense to you?

Mr. BILGRAMI. Well, now, later on it didn't, because at that time, I couldn't understand what was happening, but subsequently, after—when—when—when one has learned then it didn't surprise me how come the bank was let off, so—you know, but I don't know all the details, so I really can't say, but this is in hindsight. [Pause.]

Senator KERRY. Was there a point in time where you were going to leave BCCI and go work for Capcom?

Mr. BILGRAMI. Yes. There was a point in time when I was going to leave the bank, yes.

Senator KERRY. When was that?

Mr. BILGRAMI. Well, I started thinking of leaving the bank in March of 1988.

Senator KERRY. Hold on, excuse me for one second. [Discussion off the record.]

Let me go back here for just a minute and just ask you a question. When you—when you were under indictment before the trial, who was representing you? Who was the principal lawyer representing you in the Tampa case?

Mr. BILGRAMI. Well, I had—I had two lawyers. They were all—the bank hired all our lawyers. We had—I had one from Tampa, and subsequently, when the whole defense team was being run out of Washington, Mr. Clark Clifford and Altman, they hired another firm of lawyers for me, which was——

Senator KERRY. Who represented you? Who was the principal lawyer that was——

Mr. BILGRAMI. Mr. Carl Rauh.

Senator KERRY. Carl Rauh.

Mr. BILGRAMI. And Mr. Benny Lazaro.

Senator KERRY. Now, did there come a time later where he asked you to permit him to represent some of the other people with respect to BCCI?

Mr. BILGRAMI. Much after I was found guilty in 1990, he requested that, you know, I allow him to—to represent other people.

Senator KERRY. And did you?

Mr. BILGRAMI. Yes, I signed a document releasing him.

Senator KERRY. And have you found out who he is representing, subsequent to defending you?

Mr. BILGRAMI. It's Mr. Clark Clifford and Mr. Altman.

Senator KERRY. And you say that your defense was run out of the larger team that was presented you from the——

Mr. BILGRAMI. Maybe I said that incorrectly. What was happening was that since it was one joint team effort initially, until the bank petered out, so they were—the payments and all that was coming out of Mr. Clifford's office. More or less he was——

Senator KERRY. From the bank?

Mr. BILGRAMI. From the bank, yes, and since they were paying for all their lawyers fees also, it was coming from the same source, Mr. Clifford. But I was meeting with my lawyers separately, but there was a sense of a joint kind of a strategy, until the time that the bank——

Senator KERRY. Well, that is a separate issue. Let me let that sit then. With respect to Capcom, what was Capcom in your view?

Mr. BILGRAMI. Capcom was a brokerage house based out of England and Chicago.

Senator KERRY. And why did BCCI get into a brokerage process?

Mr. BILGRAMI. I did not know the details of Chicago—of Capcom until I had my first discussion with Mr. Ziauddin Akbar, when he suggested that I join him to set up a Capcom operation in Miami and that's the first time I got the full details of the Capcom—on Capcom.

He informed me that Capcom was set up initially in 1985, I think, that's when he mentioned. The idea was that BCC would have a brokerage house also and so that the commissions being paid out to others would be minimized and also, you know, they could be kept confidential, the transactions, so in-house so to speak.

Senator KERRY. Now, let me try to make this a little easier. Mr. Akbar, who ran Capcom originally during the early 1980's, he was BCCI's treasury department head, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. And he was at the center of a lot of BCCI's transactions, correct?

Mr. BILGRAMI. That's correct.

Senator KERRY. Now, Mr. Akbar had used the treasury department of BCCI to show inflated profits, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. And those profits had to be inflated in order to cover up losses, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. So a certain number of banks—Africa, the Far East, et cetera, were making money, correct? But the money could not be converted into dollars, could not be reconverted into dollars, is that accurate?

Mr. BILGRAMI. Well, I think I was asked to explain why this could have happened, why the bank started inflating profits, and the fact was that the bank, in the eighties, was making profits in

certain areas and making heavy losses in other areas. The losses would be made in hard currency areas, dollar areas like U.K., United States, and the profits would be made in Third World countries where they could not be repatriated.

So the need and expenses were very heavy in the dollar areas, the loans for the purchase of banks, inside loans would be made in dollars. So there was a lack of funds, and that's why profits were being created.

Senator KERRY. Now, why was Capcom established?

Mr. BILGRAMI. Capcom was—I was told that Capcom was initially established to reduce the commission leakage, was the word used, because when the bank was buying bonds or Treasury bills a lot of commissions had to be paid to the Merrill Lynchs and other brokerage houses. That was one reason. And the other reason was to keep these transactions hidden from outsiders, in house.

Senator KERRY. So there were two purposes?

Mr. BILGRAMI. That's right.

Senator KERRY. One was to recapture commissions that were going to Merrill Lynch or E.F. Hutton or somebody and keep it inside the family, right?

Mr. BILGRAMI. Right.

Senator KERRY. And the second was just to hide transactions?

Mr. BILGRAMI. That's right.

Senator KERRY. To have everything internal, so you would not have to deal with these other people?

Mr. BILGRAMI. That's right.

Senator KERRY. Now, Akbar left BCCI, is that correct?

Mr. BILGRAMI. That's right.

Senator KERRY. He was fired, or what happened?

Mr. BILGRAMI. He was blamed officially for the loss which came out in 1985–86, and under that cloud, he left.

Senator KERRY. Now, he was a scapegoat, was he not?

Mr. BILGRAMI. That's what I understood.

Senator KERRY. Because in fact, the losses were not incurred—they were incurred from the beginning of the bank, through its operations.

Mr. BILGRAMI. Well, the losses and also the inflation of profits, there were two things there, so—and they were done on other people's instructions. That's what my understanding was.

Senator KERRY. And they tried to pretend that all of these losses were incurred in commodities losses in 1985?

Mr. BILGRAMI. That was the official version given. This is how he explained it to me.

Senator KERRY. Were there, in fact, real commodities losses at BCCI in addition to the phoney ones?

Mr. BILGRAMI. I understand there were some real ones also.

Senator KERRY. Do you know how those came about?

Mr. BILGRAMI. They came about in foreign exchange transactions.

Senator KERRY. Speculation in currency?

Mr. BILGRAMI. That's correct.

Senator KERRY. Did Abedi, himself, engage in that?

Mr. BILGRAMI. In one meeting, he gave me the impression that he was personally engaged in some of them.

Senator KERRY. Now, when you considered leaving BCCI to go to Capcom, did Akbar tell you something about BCCI's condition?

Mr. BILGRAMI. He felt that the condition of the bank was very bad and that it was the appropriate time to leave.

Senator KERRY. And did he tell you at that time anything about Capcom U.S.?

Mr. BILGRAMI. Well, he felt that Capcom was in a good condition and was a logical place to go to. He explained a little bit of the background of both the companies.

Senator KERRY. Was Capcom used to launder money?

Mr. BILGRAMI. I don't think so.

Senator KERRY. What about in the Tampa case?

Mr. BILGRAMI. They had—U.S. Treasury funds were deposited there, but no drug funds.

Senator KERRY. So you know of no money laundering that went through there?

Mr. BILGRAMI. It was initially discussed, but never took place.

Senator KERRY. What was the reason for hiding the transactions through Capcom, if there was not money laundering?

Mr. BILGRAMI. Well, actually, the term money laundering has so many facets, I was more—I was thinking more in lines of the fact that hiding the losses from being known to other companies. When you do purchases with Merrill Lynch in the name of the bank itself and there are losses, the brokerages more or less can find out how an institution is doing on their transactions. But if you have a middle entity, then really, it's Capcom which is making the losses and maybe the clients, but you don't know who exactly is behind. So like that, you could cover from the public if there were losses being made.

And second, if you are doing those in-house transactions where you're trying to inflate profits, then that is also hidden.

Senator KERRY. So Capcom served a purpose to hide losses and also to inflate profits?

Mr. BILGRAMI. That was my understanding.

Senator KERRY. But not to actually launder money? I thought some of the money from Tampa had passed through there?

Mr. BILGRAMI. Well, in the Tampa case there were discussions directly between Agent Mazur and Mr. Akbar, and I was involved also in some of the discussions where an idea was discussed and in more detail with Mr. Akbar. And some funds were placed, $500,000, but they were supposed to be for portfolio management. And then subsequently, $25,000 was sent down, which I was not aware of. But that was supposed to be laundered in that manner, according to the plan discussed in London. But I understood that you asked me before that, and I don't think before that anything was laundered.

Senator KERRY. Let me ask you, Mr. Bilgrami, did you ever learn of BCCI providing loans or benefits to its outside auditors?

Mr. BILGRAMI. Yes, sir.

Senator KERRY. Can you describe those circumstances to us?

Mr. BILGRAMI. Well, on one occasion, sometime in 1988, I was having a discussion with the manager for Grand Cayman branch, and I was asking him—you know, I was troubled with the financial health of the bank and asked him what was happening with all

these bad loans and how we were dealing with the auditors, and he told me the auditors had been taken care of, and he mentioned to me one instance where a loan had been given in Grand Cayman for a villa to be constructed for one of the outside auditors.

Senator KERRY. For a villa?

Mr. BILGRAMI. For a country house—yeah, for a summer house.

Senator KERRY. And that was specifically a way of taking care of the auditor so that problems would not surface?

Mr. BILGRAMI. Well, he gave me this one particular instance. I am not aware of other instances, but he just gave me this one particular instance.

Senator KERRY. Mmm-hmm. Were some of Capcom's shareholders nominees?

Mr. BILGRAMI. I don't know that. I was just told that we had the same—that the same shareholders of BCCI, we had common shareholders in Capcom and BCCI.

Senator KERRY. So beyond that, you do not know? You do not know if Mr. Magness or Mr. Romrell were local nominees?

Mr. BILGRAMI. I was just told in one instance by Mr. Akbar that Mr. Kamul Adhem had introduced those gentlemen to him.

Senator KERRY. Were they given loans by BCCI?

Mr. BILGRAMI. I was not aware of it until recently.

Senator KERRY. OK. So in your experience, you did not know?

Mr. BILGRAMI. I did not know.

Senator KERRY. You did not have any personal knowledge of that?

Mr. BILGRAMI. No.

Senator KERRY. All right. Let me ask you this: What year did you—when did you start serving your sentence?

Mr. BILGRAMI. In 1990, July 1990.

Senator KERRY. Up until 1990, in the experience you had within the banks and the banking community, was it your experience that this money laundering capital flight is just pervasive?

Mr. BILGRAMI. Yes, sir. It was, from my experience I had in Colombia and my trips I took to various countries, I bumped into bankers from other institutions and we were essentially competing for the same funds. Some banks were doing it in a more sophisticated manner, some were less interested in it, but most were targeting it. It was a market to be attacked, so to speak.

Senator KERRY. What do you mean by more sophisticated? What is a more sophisticated manner?

Mr. BILGRAMI. For example, when I reached Colombia in 1981, I found that there were about 120 rep offices there of foreign banks, European, American, all over. And their target was deposits. They were not lending money to Colombia. Colombia was not in a very good financial situation. And then afterward, I found out that Colombia, itself, the Central Bank of Colombia, had a sinister window—it was called the sinister window—where funds were taken in without any questions asked and all the foreign banks used to try to compete for that account because that meant a very big float.

The Central Bank had to send the cash or the checks back for clearing, and banks were competing to get that account so that you could have a float. Everyone knew what that sinister window

meant. The word, itself, is very clear. And all banks used to compete with that. In Colombia, all the people who were marketing for the Colombian—and the Colombian clients—all the money in Colombia is mixed up. There are people who are not dealing with these kind of funds, but because they want to get their money out, invariably, they buy drug funds from the U.S. where the cash is deposited.

So this is just Colombia. In Venezuela, the same instance. Venezuelans are not allowed to have money abroad, and if they do they are supposed to pay taxes on it, but yet all the banks market that. Argentina, Brazil, the same.

Senator KERRY. So what do we do about this? I mean, here we are—is there any way to restrain that? Or are we swimming upstream eternally on this whole subject?

Mr. BILGRAMI. Well, my personal opinion is that the indictment against the bank went a long way to at least putting emphasis on this area. I know for a fact that—for example, I was not aware of the exact liabilities involved with the law, personal liability of going to prison, for example. None of the bankers were very familiar with this until the indictment. We never had any conferences, nor from the regulators nor from the auditors nor internally.

However, after the indictments, in Miami itself there were about 40 conferences within 3 months. So most of the employees of the banks became aware of the personal liability involved in a situation like that. So that went a long way of educating bankers.

But until the drug problem is solved where the cash is generated, it's generated in the States, I think your committee yourself said this, $100 billion, and it's the cash which is generated in the States which goes into the banks. Those banks which have a lot of branches are the ones who are involved in the money laundering. But it is an international problem that goes hand-in-hand with the drug trafficking.

Senator KERRY. Senator Brown.

Senator BROWN. I am intrigued with your comment. That is a very shrewd observation that goes to the core of our society. I would be interested also in your views on how big an advantage you feel it is for a bank to be willing to engage in the practices BCCI did. Would you say it is an enormous competitive advantage? Slight? How would you gauge that in terms of attracting business and developing profits?

Mr. BILGRAMI. The difference between BCCI and other international banks is that BCC did not have a home base. Most international banks have a home base where they can try to tap into retail deposits. With BCCI it was different because not having a home base, BCCI exclusively devoted energies toward flight capital, the term, if I may use, and that is why there is more emphasis within BCCI toward this area than other banks.

Is that what you were asking? I'm sorry, I was not—I didn't understand the question.

Senator BROWN. No, I think that is a good observation because you have helped us understand the focus that BCCI had in developing their philosophy. But would you say the perception is that catering to flight capital is significantly more profitable than the standard banking business?

Mr. BILGRAMI. Oh, yes. Definitely so. For all international banks, flight capital is very profitable because people don't tend to bother with their money once it's out. So you can generally tend to do what you feel like with it and give less interest or charge more fees because the fact that they shy away from communication, they generally don't tend to come into contact with their bankers that often than, say, a U.S. citizen living in the United States with his bank in New York.

Senator BROWN. Obviously, the whole banking system BCCI put together through the chain of banks has collapsed, causing billions in losses. Are the losses that resulted the result of theft, the result of losing operations from the banking side, banks not being well run, or are they simply the result of the illegal activities and the loss of confidence? What would you describe as the source of BCCI's significant losses.

Mr. BILGRAMI. From the information that I have come across subsequently, after the arrests and indictments and my prison term and all the news, and during the time that I was in the bank, I was under the clear opinion that the losses which were incurred were really because of four reasons.

One was the grandiose designs of Mr. Abedi, that he was so interested in expansion all the time. That incurred a lot of expenses which could not be really generated through profits.

The second area was that that expansionist idea of his meant creating a lot of insider loans which would not be funded because the interest was not being paid and there was not enough profit coming in in the later years to pay up that interest.

And last, the bank initially started from the Middle East, where it was very profitable. Most of the Arabs there at that time were not very sophisticated investors. So a lot of funds were left interest-free in accounts. So initially, the bank had a very good base. That dried up by the 1980's, because the Arabs themselves became much more sophisticated and they started using other institutions.

So that market dried up for BCC. And BCC was left with a market in the Third World which was very profitable, but BCC could not convert those profits into hard currency because most of these countries had exchanged controls. Plus if you did that, there was withholding taxes about 50, 60 percent. So BCC had a lot of expenses in Europe, where there was not any profit being made, and the United States, and it was just shrinking. And that is why all these profits had to be created.

Another reason was that Mr. Abedi didn't want money from the shareholders because that would dilute his power and he had to create all these fictitious loans. This is my personal opinion.

Senator BROWN. Were the restrictions on the export of capital from Third World countries where they had made profits a significant factor?

Mr. BILGRAMI. I can only give you one example. In Colombia, for example, we did make profits but we could never repatriate them because it would mean 50 percent withholding tax, first, and when you repatriate them because of the devaluation, they were not really worth anything.

Senator BROWN. There is a touch of irony here, a banking scam that is able to repatriate illegal funds from all over the world but unable to repatriate their legitimate profits.

You mentioned the drug trade and the source of flight capital as a core cause when the chairman had asked on thoughts about how to control a banking scam like BCCI. Are there controls with regard to the U.S. banking system that you think would be helpful in controlling drug money laundering and other criminal uses of the banking system?

Mr. BILGRAMI. Sir, I think it has to do with morality more than anything else, because unfortunately, money doesn't have many morals, and that is why you have flight capital. It started from the French Revolution, and subsequently it has mushroomed into a huge amount of money.

So here you are asking is whether a banker asks a client where he got his money from. Although I understand the regulations say that, that all bankers should do that, but from my personal experience, at least in 1988 and from my exposure with other bankers, most of us tended not to ask that because it meant, in most instances, it was obtained through means which were not totally clear. And when you are talking about obtaining a deposit of $20 million, you tend not to ask too many questions.

A classic example would be Mr. Marcos when he had money in Morgan, $60 million, I don't think Morgan Guarantee asked where he was getting the money from. So from that instance, I think that's the main problem, whether money has any morality.

Senator BROWN. You, I am sure, have heard rumors that have abounded of late of the circulation of large amounts of forged currency overseas, forged U.S. currency being circulated internationally, particularly in the Third World, rumors that it could well come from a country in the Middle East. When BCCI received large deposits of cash, were you concerned that these deposits might contain forgeries? How did you protect against forgery when you received large cash deposits?

Mr. BILGRAMI. I personally was not involved in receipt of cash very often, but in most instances when cash was received, for example, in Panama or in Miami to a limited extent, we had these counting machines and detectors which can detect forgeries. That is the only way a precaution was taken.

Senator BROWN. To your knowledge, counterfeiting was not a major problem, at least at that time?

Mr. BILGRAMI. No, we never came across that.

Senator BROWN. Thank you.

Senator KERRY. Thank you very much, Senator Brown. I think what we are going to do is take a 40-minute recess and pick up with Mr. Awan after the recess. He should not take more than 45 minutes or so. I think it will be a fairly brief testimony. So we will recess until 2:30.

[Whereupon, the hearing was recessed, to reconvene at 2:30 p.m., the same day.]

Senator KERRY. The hearing will come to order. Mr. Awan, if I could ask you please to rise so I can swear you in. Thank you. Would you raise your right hand.

Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God.

Mr. AWAN. I do.

Senator KERRY. Thank you. If you would identify yourself, please, your full name.

STATEMENT OF AMJAD AWAN, FORMER MANAGER, WASHINGTON REPRESENTATIVE OFFICE, INTERNATIONAL BANK OF CREDIT AND COMMERCE, FEDERAL PRISONER; ACCOMPANIED BY JOHN P. HUME, ESQ., PERKINS COIE, WASHINGTON, DC

Mr. AWAN. My name is Amjad Awan, A-w-a-n.

Senator KERRY. Mr. Awan, what is your status currently?

Mr. AWAN. Currently I am a Federal prisoner.

Senator KERRY. I am sorry, could you speak up a little bit. Bring the microphone a little closer and thank you.

Mr. AWAN. I am a Federal prisoner at this time.

Senator KERRY. Where are you currently a Federal prisoner?

Mr. AWAN. At the Federal prison in Myland, MI.

Senator KERRY. And you are serving a sentence for what?

Mr. AWAN. For money laundering.

Senator KERRY. Is that money laundering in association with BCCI?

Mr. AWAN. Yes, sir.

Senator KERRY. When were you sentenced?

Mr. AWAN. In July—in November, 1990.

Senator KERRY. And how long is your sentence?

Mr. AWAN. 12 years.

Senator KERRY. Now if you could just give us little bit of your background, Mr. Awan, we would appreciate it. You were born where?

Mr. AWAN. I was born in Pakistan, sir, in 1947. I was educated there and I started my profession of banking in Pakistan. Subsequently I worked for several banks. The last bank I worked for was BCCI.

Senator KERRY. Now at some time did you become a political refugee and leave Pakistan?

Mr. AWAN. No, sir, not exactly. But I did leave Pakistan. I was not exactly a political refugee, but I did leave Pakistan.

Senator KERRY. And did you become a British citizen?

Mr. AWAN. Yes, I did.

Senator KERRY. When did you become a British citizen?

Mr. AWAN. I believe it was 1976.

Senator KERRY. At that time were you working for a bank.

Mr. AWAN. Yes, sir.

Senator KERRY. And what bank were you working for?

Mr. AWAN. At that time, I believe I was working for the International Resources and Finance Bank out of Luxembourg, but based in London.

Senator KERRY. And would you share with us what your educational background is.

Mr. AWAN. I have a degree in economics from the Punjab University in Pakistan.

Senator KERRY. Your father was a Pakistani Ambassador. Is that correct?

Mr. AWAN. No, sir, he was not.

Senator KERRY. I am sorry, I thought he was.

Mr. AWAN. No, sir. He was a government official but he was not in the foreign service.

Senator KERRY. Now how did you first meet Mr. Agha Hassan Abedi?

Mr. AWAN. I joined a bank called the United Bank in Pakistan.

Senator KERRY. The what?

Mr. AWAN. I joined a bank called United Bank, of which Mr. Abedi was the president. And sometime after I joined the bank I had the occasion to meet with him.

Senator KERRY. You had occasion to?

Mr. AWAN. To meet with him.

Senator KERRY. OK. And at some point did Mr. Abedi leave the United Bank?

Mr. AWAN. Yes, sir. United Bank was nationalized by the Government of Pakistan.

Senator KERRY. So he decided to go out and start his own bank?

Mr. AWAN. Yes, sir.

Senator KERRY. At that time did you join BCCI?

Mr. AWAN. No, I did not.

Senator KERRY. When did you join BCCI?

Mr. AWAN. I joined BCCI in December 1978.

Senator KERRY. And at that time you ran the main branch in London, correct?

Mr. AWAN. I was the marketing manager at the main branch.

Senator KERRY. BCCI was known as the immigrant's bank?

Mr. AWAN. It was not really known as that, Senator, but it was—it did business mainly with the immigrant community in England.

Senator KERRY. While you were in London, did you have occasion to be introduced to Manuel Noriega?

Mr. AWAN. Yes, sir.

Senator KERRY. And did Mr. Noriega provide assistance to the bank in obtaining a license in Panama?

Mr. AWAN. Yes, I believe he did.

Senator KERRY. Did you have occasion, when you were associated with BCCI in London, to become aware of special services that BCCI would provide for people?

Mr. AWAN. Yes, sir.

Senator KERRY. Such as what?

Mr. AWAN. Apart from normal banking services, there were services provided to overseas customers of the bank who visited the U.K. which included buying and selling of property, hospitalization, schooling for their children, various things like that.

Senator KERRY. Now after a number of years in London you wanted to have more opportunity and freedom to operate on your own. Is that correct?

Mr. AWAN. I did apply for a transfer, yes, sir.

Senator KERRY. And was there any other reason that you applied for the transfer?

Mr. AWAN. I'd been in London for several years and I did want a change.

Senator KERRY. So were you transferred?

Mr. AWAN. Yes, sir.

Senator KERRY. To where?

Mr. AWAN. I was transferred to Panama.

Senator KERRY. What was your responsibility in Panama?

Mr. AWAN. I was the country manager for the bank in Panama.

Senator KERRY. Did you solicit business from Middle Eastern businessmen when you were in Panama?

Mr. AWAN. Yes, people of Middle East extraction who were living in Panama.

Senator KERRY. Where you successful in obtaining business in that way?

Mr. AWAN. Yes, sir.

Senator KERRY. Did you engage in a considerable amount of lending at that bank, or were you primarily focused on deposits?

Mr. AWAN. The primary focus was on the deposits, but there was some lending activity as well.

Senator KERRY. But it is fair to say there was very little lending, that the branch was mostly deposit-oriented?

Mr. AWAN. Yes, sir.

Senator KERRY. The goal of the Panama branch was really to generate deposits, not so much to lend. Is that not accurate?

Mr. AWAN. I would say that was the goal of most—most BCCI branches.

Senator KERRY. And you had no authority to make loans over $50,000, correct?

Mr. AWAN. That is correct.

Senator KERRY. Did you understand your job to be to try to generate deposits in order to assist London with resources it needed for other BCCI needs?

Mr. AWAN. That would be correct, yes.

Senator KERRY. Now what did you do to obtain the business of General Noriega?

Mr. AWAN. Over a period of time I contacted him on several occasions requesting him to do some business with our bank.

Senator KERRY. What did you know of General Noriega then?

Mr. AWAN. I knew that he was the head of the intelligence services of Panama at that time.

Senator KERRY. Is that all you know?

Mr. AWAN. I also knew he was a powerful figure in the country.

Senator KERRY. Did you know anything about any of his activities on the side?

Mr. AWAN. No, sir.

Senator KERRY. Now did you succeed in getting an account from him?

Mr. AWAN. In due course I did.

Senator KERRY. In what year?

Mr. AWAN. I think it was 1982.

Senator KERRY. And in whose name did he open that account with BCCI?

Mr. AWAN. The account was opened in his personal name.

Senator KERRY. Did he use the account for business or for personal matters?

Mr. AWAN. For both.

Senator KERRY. Did he tell you that he wanted this account held secret?

Mr. AWAN. Yes, sir.

Senator KERRY. Did you insist on any kind of recordkeeping with respect to this account?

Mr. AWAN. Yes, I certainly did.

Senator KERRY. In what way?

Mr. AWAN. Well initially when he gave me the account, he asked—he told me that he would be giving me some funds which should be available to him whenever he required.

Senator KERRY. How much money did he deposit with you?

Mr. AWAN. As I recollect, the initial deposit was $100,000.

Senator KERRY. And what did that go up to, what amount of money?

Mr. AWAN. Ultimately it was in excess of $20 million.

Senator KERRY. Did you have any idea where a general in the army in Panama was getting $20 million?

Mr. AWAN. No, sir.

Senator KERRY. Did you think about it?

Mr. AWAN. No, I had no reason to think or ask him about it.

Senator KERRY. Well what did your banking knowledge tell you?

Mr. AWAN. I assumed these to be intelligence funds, which is what he had told me when he opened the account.

Senator KERRY. We are going to have to—we are on the back end of a vote here, so we will have to recess momentarily for this vote. And I can assure you we will get back here as fast as the trains will carry us. We will be right back and we stand in recess.

[A brief recess was taken.]

Senator KERRY. The hearing will come to order. Mr. Awan, you continue under oath as sworn before and I apologize for the interruption.

Mr. AWAN. Yes, sir.

Senator KERRY. We were asking you questions before we had to go and vote about the cash deposits that you held for Manuel Noriega. You said he kept about $22 million in this account.

Mr. AWAN. Yes, sir. It was in excess of $20 million.

Senator KERRY. What year would that have been?

Mr. AWAN. Up to 1988.

Senator KERRY. So between what period of time did you serve as Manuel Noriega's banker, so to speak?

Mr. AWAN. Between 1982 and 1988.

Senator KERRY. 1982 to 1988.

Mr. AWAN. Yes, sir.

Senator KERRY. And were you constantly putting money in and taking it out on his behalf?

Mr. AWAN. Yes, sir.

Senator KERRY. Were deposits in cash?

Mr. AWAN. They were largely cash.

Senator KERRY. Most of the deposits were cash.

Mr. AWAN. Yes, sir. There were also some checks.

Senator KERRY. And in what sort of denominations were these deposits made?

Mr. AWAN. They were normally large amounts.

Senator KERRY. Give us an idea. How much money?

Mr. AWAN. $.5 million, $1 million, $2 million, $100,000.

Senator KERRY. And they were all in dollars.

Mr. AWAN. Yes, sir.

Senator KERRY. And in what size notes? $100 bills, $20, $1?

Mr. AWAN. I think they were usually $100 bills, large denominations.

Senator KERRY. And how would he bring these to you? How would you get this delivered to you?

Mr. AWAN. There were two ways, normally. Either he would ask me to come down to his office and deliver money to me, or somebody from his office, somebody from the defense forces, would come to the bank and make a deposit.

Senator KERRY. Now when you—and when you say they would come to the bank, what would they bring the money in? How were they carrying it?

Mr. AWAN. In a briefcase or a bag or in some sort of a container.

Senator KERRY. Now were you called on to make disbursements on behalf of General Noriega?

Mr. AWAN. Yes, sir.

Senator KERRY. What kind of disbursements did you make?

Mr. AWAN. They were—I paid the expenses for several government delegations which were travelling. I paid for airline tickets, hotels. Also personal expenses, credit card expenses, travel for his family, for himself.

Senator KERRY. When you say travel for his family, travel to the United States, travel elsewhere?

Mr. AWAN. The United States and Europe, usually.

Senator KERRY. Now you knew when those disbursements were being made, that those were not intelligence activities with his family, correct?

Mr. AWAN. Yes, sir.

Senator KERRY. So you knew he was spending personal money out of this account?

Mr. AWAN. Yes, sir.

Senator KERRY. Did you have any knowledge, at that point in time, where any of that money came from?

Mr. AWAN. Not beyond what I already said.

Senator KERRY. Had you heard at that time that General Noriega was involved in drug trafficking?

Mr. AWAN. No, sir.

Senator KERRY. When was the first time you ever heard that?

Mr. AWAN. I think the first time I heard it was when I saw a report in the New York Times. I think it was 1984 or 1985.

Senator KERRY. Did it make you wonder about what he was involved in?

Mr. AWAN. Yes, sir. In fact I was with him at the time when that was published. And he was very upset at that particular report. I did not question him about it.

Senator KERRY. Did you make payments to Panamanian politicians on behalf of Noriega from that account?

Mr. AWAN. Yes, I did.

Senator KERRY. Did you make payments in connection with the 1984 Panamanian presidential election?

Mr. AWAN. That is correct.

Senator KERRY. What kind of payments?

Mr. AWAN. They were cash disbursements made to various people that he sent to me with instructions to pay them a particular amount. The amounts were usually in the range of $10,000 to $15,000, maybe $20,000.

Senator KERRY. Did you make payments to any presidents of Panama from the Noriega account?

Mr. AWAN. Not directly, Senator. But I did make one wire transfer.

Senator KERRY. And that wire transfer was to pay off a mortgage.

Mr. AWAN. Yes, sir, that is correct.

Senator KERRY. And that mortgage was President Espriella's home. Is that correct?

Mr. AWAN. Prior to the time that he had become president, yes. He had just declared himself a candidate for presidency, and that is the time the wire transfer was made.

Senator KERRY. What was the largest amount of cash that was deposited at one time in this account?

Mr. AWAN. I think the largest amount was $3.4 million.

Senator KERRY. On one occasion.

Mr. AWAN. I don't recollect whether it was all cash. But from the records I've seen, the largest single deposit was $3.4 million.

Senator KERRY. And did you have any knowledge of where that money came from?

Mr. AWAN. No, sir, I never asked.

Senator KERRY. Did anybody other than Noriega have control of this account?

Mr. AWAN. No, sir.

Senator KERRY. He was the only person who communicated to you with respect to this account.

Mr. AWAN. That's correct.

Senator KERRY. Did you report on this account to BCCI?

Mr. AWAN. Yes, sir. It was in the knowledge of my superiors.

Senator KERRY. And were they pleased that you had secured this account?

Mr. AWAN. Oh, yes, they were.

Senator KERRY. And did they show that pleasure to you in any particular way?

Mr. AWAN. Well they didn't reward me for it, but they did tell me that I had done a good job.

Senator KERRY. Now did you handle lending to any of Noriega's business associates?

Mr. AWAN. Yes, sir.

Senator KERRY. To whom?

Mr. AWAN. I gave a loan to one of his associates by the name of Cesar Rodriguez at General Noriega's behest. and the loan was guaranteed by him.

Senator KERRY. And what about a Mr. Enrique Pretel?

Mr. AWAN. That was not—he was an associate of General Noriega, but that loan was based on Pretel's own business dealings and really had nothing to do with Noriega.

Senator KERRY. Did you provide them with lines of credit?

Mr. AWAN. Noriega's associates?

Senator KERRY. Yes.

Mr. AWAN. Yes, sir.

Senator KERRY. And were those lines of credit secured by anything other than Noriega's promise to pay?

Mr. AWAN. Apart from that one amount to Cesar Rodriguez, the others were secured by the borrower himself.

Senator KERRY. So only Rodriguez's loan.

Mr. AWAN. Yes, sir.

Senator KERRY. Was not secured.

Mr. AWAN. That was secured by Noriega's promissory note.

Senator KERRY. When Cesar Rodriguez's loan went sour the bank swallowed the note. Is that correct; it did not collect?

Mr. AWAN. Ultimately that is what happened.

Senator KERRY. And it did not collect because it feared upsetting General Noriega.

Mr. AWAN. I would presume so, yes, sir.

Senator KERRY. Well I do not want you to presume. I want you to tell us what you know.

Mr. AWAN. When that loan was disbursed, when I took the sanction for that loan I made it very clear to my superiors that when the time came to collect this loan, I would not be the person who would go and ask him to give the money back. So I was not really very much in favor of giving that loan, but my superiors in London did give the loan. And when it went sour, I personally did not make any efforts to collect.

Senator KERRY. Now why did you leave BCCI's Panama office?

Mr. AWAN. I was transferred from Panama by the bank.

Senator KERRY. Was there a reason you were transferred?

Mr. AWAN. Yes, sir, there was a reason. There was a fraud in the bank in Panama for which ultimately I took the blame. And because of that particular loss that the bank suffered, I was transferred from there.

Senator KERRY. And that cost the bank several million dollars.

Mr. AWAN. Yes, sir. It was $3.7 million, if I recollect.

Senator KERRY. So they moved you to Washington, DC. Is that correct?

Mr. AWAN. Yes, sir.

Senator KERRY. To BCCI's office here.

Mr. AWAN. That's correct.

Senator KERRY. And there you were to generate business in the Washington area.

Mr. AWAN. Yes, sir.

Senator KERRY. Now you engaged in joint marketing with First American Bank. Is that correct?

Mr. AWAN. That is correct.

Senator KERRY. What did you understand was the relationship between BCCI and First American?

Mr. AWAN. To my understanding, BCCI owned First American Bank.

Senator KERRY. And that was the way you operated at that point in time?

Mr. AWAN. Yes, sir.

Senator KERRY. Did you meet with First American officials?

Mr. AWAN. I did.

Senator KERRY. With whom?

Mr. AWAN. I met with several of their top executives. Basically those were more in the way of courtesy calls. But my marketing efforts were in conjunction with somewhat junior officers of the bank, of the level of vice president.

Senator KERRY. Well did you travel, for instance, to Mexico City with First American personnel?

Mr. AWAN. No, sir, I did not.

Senator KERRY. Did Mr. Bilgrami travel?

Mr. AWAN. That was Mr. Bilgrami who traveled.

Senator KERRY. So BCCI officials did travel with First American officials to jointly solicit business for First American and BCCI. Is that correct?

Mr. AWAN. Yes, sir. In fact, I did travel myself, but I traveled to Los Angeles with one of the First American executives.

Senator KERRY. And you obtained the wire service UPI as a client. Is that correct?

Mr. AWAN. That is true.

Senator KERRY. That came from where, Mexico City?

Mr. AWAN. There was a Mexican gentleman who had bought out UPI, and we were able to obtain his account, or at least market for his account since we couldn't handle it. BCCI could not handle it itself; we decided to associate First American Bank with that account. We would—BCCI would look after the foreign component of the account, and the American component in Washington would be handled by First American.

Senator KERRY. Was there any specific joint venture agreement with First American, or any kind of written memorandum of how you would joint market?

Mr. AWAN. No, sir. I don't recollect seeing anything, any instructions from my superiors in writing.

Senator KERRY. What were the instructions to you about First American? I mean how did you come into contact with them?

Mr. AWAN. My instructions were initially verbal instructions by Mr. Abedi, who was the president of the bank at the time, to associate with First American and make joint marketing efforts. That was told to me verbally by him.

Senator KERRY. Well what did that mean? I mean, when you walk in the door to First American, why would they not say, who the hell are you guys, we do not want to do anything with you. How did they know who you were?

Mr. AWAN. I assumed, and I was quite sure, that they knew of the relationship between First American and BCCI.

Senator KERRY. Well, what made you assume that? What was the evidence of that? Who told you who to contact, and what was the response when you contacted them?

Mr. AWAN. I believe I contacted Mr. Blank, who was at that time the head of the international division.

Senator KERRY. What did you say to him?

Mr. AWAN. I told him that I had been instructed by my superiors to help you out and see if we can do any joint business. And he then referred to me—me to his subordinates. What instructions he gave them, I don't know, but——

Senator KERRY. Well, what was their reception of you when you were in touch with them?

Mr. AWAN. It was a very good reception. It was—no questions were asked.

Senator KERRY. Were there any questions asked when you told them Mr. Abedi had said you should contact them? Was it your impression that Abedi had already talked to him, or somebody had, and that he knew he was working with you?

Mr. AWAN. That was my impression, yes.

Senator KERRY. So this was an already cemented relationship in your mind?

Mr. AWAN. In my mind it certainly was.

Senator KERRY. And there was no need to describe it or to work it; you just went to work on doing the joint business. Is that correct?

Mr. AWAN. That's correct. That is correct.

Senator KERRY. I am going to let my colleague ask some questions on some of these areas, but let me just come back to one area of importance to the committee.

In the summer of 1988 we issued a subpoena. In fact we subpoenaed you, Mr. Awan.

Mr. AWAN. Yes, sir.

Senator KERRY. You recall that?

Mr. AWAN. Yes.

Senator KERRY. And we issued a subpoena for records regarding Noriega and BCCI's Panamanian and Colombian clients.

Mr. AWAN. Yes, sir.

Senator KERRY. You are familiar with the circumstances surrounding that, are you not?

Mr. AWAN. I am.

Senator KERRY. Where were you when the subpoena was issued?

Mr. AWAN. I first came to know of the subpoena while I was in London. And I was told by Mr. Naqvi, who was president of the bank at that time, that a subpoena had been issued for me. I happened to be in London for a marketing conference that was——

Senator KERRY. Had anybody told you to go to London?

Mr. AWAN. Yes, sir——

Senator KERRY. To avoid the subpoena?

Mr. AWAN. No, that was a regularly scheduled marketing meeting that I attended.

Senator KERRY. So when you arrived in London, what was the response in London to subpoena?

Mr. AWAN. I was asked to meet immediately with Mr. Naqvi when I arrived in London, which I did. And he asked me if I had any knowledge of a subpoena being issued to me. I told him I did not. He then told me a subpoena had been issued, and asked me whether I personally had any sort of records of General Noriega in Miami. I told him I did not.

Senator KERRY. How would it be that you would have no records of General Noriega in Miami? Were you not banking for him in Miami?

Mr. AWAN. Yes, sir, I was. But the accounts were maintained at that time in London.

Senator KERRY. And you had no records whatsoever in Miami?

Mr. AWAN. I had no records. What used to happen was that when I travelled down to Panama, the records would be sent to me and I would take them down to General Noriega to hand them over to him. But nothing, no books were maintained.

Senator KERRY. Why were the records kept in London?

Mr. AWAN. That's where the accounts were maintained.

Senator KERRY. So the accounts were maintained in London. And what were you told relative to this committee's subpoena?

Mr. AWAN. I was just asked, as I said, whether I had any records for General Noriega in Panama. I told them that I did not.

Senator KERRY. Did Mr. Naqvi tell you not to return?

Mr. AWAN. No, sir.

Senator KERRY. With respect to any documents, were you instructed to do anything?

Mr. AWAN. I was asked to gather the documents which were required which pertained to be personally, which were my travel records and my telephone records, and have them ready.

Senator KERRY. Any other documents?

Mr. AWAN. No, sir. I was not told to.

Senator KERRY. What about the Noriega documents?

Mr. AWAN. I was not told to do—I was asked in London at that stage, or maybe a little later, to consolidate the Noriega documents in London and give a copy of those documents to Mr. Naqvi, which I did.

Senator KERRY. Were you instructed to mark them in any way particularly?

Mr. AWAN. That was not at this particular stage, sir. It was much later.

Senator KERRY. At a later stage.

Mr. AWAN. Yes, sir.

Senator KERRY. And what happened at the later stage?

Mr. AWAN. Later, I think it was late August or maybe September, I was asked to get those documents from Mr. Naqvi's assistant.

Senator KERRY. The documents about Noriega.

Mr. AWAN. Yes, sir.

Senator KERRY. Which were the subject of our subpoena.

Mr. AWAN. These were the London documents.

Senator KERRY. Yes, but we had subpoenaed all documents having anything to do with Noriega from BCCI, had we not?

Mr. AWAN. Yes, sir. Yes, sir.

Senator KERRY. And those documents you were instructed to gather together, correct?

Mr. AWAN. Yes, that is correct.

Senator KERRY. And what were you instructed to do with them?

Mr. AWAN. I was asked to arrange them in chronological order, put them in a file, and give them to Mr. Naqvi. I was also asked at that stage by Mr. Altman, who was present at that meeting, to mark them attorney work product.

Senator KERRY. Attorney work product.

Mr. AWAN. Yes, sir, which I did. And I returned to—returned those documents to Mr. Naqvi.

Senator KERRY. So you marked documents about Noriega's bank account as attorney work product?

Mr. AWAN. Yes, sir.

Senator KERRY. Did you know what the phrase meant?

Mr. AWAN. I had no idea what it meant.

Senator KERRY. You marked them, in fact, confidential attorney work product, did you not?

Mr. AWAN. In fact I marked them attorney word product, because I'd never heard this phrase before and I misheard.

Senator KERRY. Each file folder was marked that way on the outside. Is that correct?

Mr. AWAN. Yes, I believe there was—there may have been two folders.

Senator KERRY. And these were copies of Noriega's originals. Is that accurate?

Mr. AWAN. There were some originals and some photocopies.

Senator KERRY. Did you receive further instructions from Mr. Naqvi?

Mr. AWAN. On that particular visit I was asked not to return to the United States, and that I'd been transferred to Paris.

Senator KERRY. By Mr. Naqvi.

Mr. AWAN. By Mr. Naqvi. And that I should report to Paris instead of going back.

Senator KERRY. What did you do?

Mr. AWAN. I did, in fact, come back to the United States, and resigned from the bank.

Senator KERRY. And resigned from the bank.

Mr. AWAN. Yes, sir.

Senator KERRY. And it was at about that time that you did, in fact, meet with staff from this committee, is it not?

Mr. AWAN. That is correct, yes. I had met them earlier as well, but I was meeting with the staff.

Senator KERRY. But you again came back and met with staff of the committee?

Mr. AWAN. That's correct.

Senator KERRY. Were you told to cooperate with the committee? Did the bank officials instruct you to cooperate or to not cooperate?

Mr. AWAN. They did not specifically say anything one way or the other. But my understanding was—when they told me not to go back to the United States and go to Paris instead, my assumption was that they did not want me to talk or cooperate with the committee.

Senator KERRY. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. I did not know if the concern over the attorney work product classification was because it was an oxymoron, or simply because of the phraseology mixup.

You mentioned that the records with regard to Noriega's account were maintained in London.

Mr. AWAN. Yes, sir.

Senator BROWN. Not in Panama?

Mr. AWAN. Let me explain that. The account was initially opened in Panama in 1982. General Noriega's request to me at that stage was that this should be kept as confidential as possible, and that he did not want any of the Panamanian staff of my office to know anything about this account.

Consequently, I opened the account—I opened it as a numbered account, or what we in BCCI called a manager's ledger account, to which all staff members did not have access. It was a very limited access and the account name was not known to any of the regular bank staff; it was just a number. This continued for several months, maybe even a year.

General Noriega was always concerned about the confidentiality of his account, and at some stage I suggested to him that we should transfer this account to London, because it would be far more confidential there and there was no way any Panamanian staff members would have access to it. So the account was, in fact, transferred to London and maintained there.

Senator BROWN. And after it was transferred to London, there was not even a numbered account in Panama?

Mr. AWAN. Nothing remained in Panama.

Senator BROWN. Nothing remained in Panama. Would there not have been some records left over from the time at which there was a numbered account, no?

Mr. AWAN. Yes, sir. All the bank documentation during that time would be there. But it wouldn't show General Noriega's name; it would just be a number.

Senator BROWN. When the subpoenas called for records of Noriega's accounts in Panama, did you not indicate that you replied that there were not any, or you were not aware of any?

Mr. AWAN. I was only asked whether there were any records in Miami. I was not asked about Panama. Because in fact there were records there, as there were in London. But in Miami there was nothing.

Senator BROWN. And even though you were aware of the numbered account in Panama from previous years and aware of the records in London, you seemed to have responded in the negative on that?

Mr. AWAN. Yes, sir. I was aware of those records, as my superiors in the bank were.

Senator BROWN. You were with Noriega, you mentioned, when he found out about the drug charges.

Mr. AWAN. Yes, sir.

Senator BROWN. You described that he was upset.

Mr. AWAN. Yes, sir.

Senator BROWN. Could you add anything to that? Do you remember any of the specifics of what he said or details of how he reacted?

Mr. AWAN. I only remember that we were travelling together from New York to Andrews Air Base in his aircraft. And he had a copy of the newspaper. He acted agitated. He didn't talk much to me; he was talking to the other members of his staff. But he was certainly agitated. He was upset. I didn't ask him any questions about it.

Senator BROWN. Did he make any inquiries of you with regard to records or accounts?

Mr. AWAN. At that stage, no, sir.

Senator BROWN. At that point?

Mr. AWAN. No.

Senator BROWN. Did he make inquiries later on with the intent of asking whether information might be available from the bank that could verify his activities?

Mr. AWAN. He had expressed a desire in early 1988 to close the accounts in London and to get the money out of BCCI. Because he did say he was concerned about the money being subject to seizure. So at that stage he did express some concern about it.

Senator BROWN. From your activities at the bank, I take it that you know Mr. Altman?

Mr. AWAN. Yes, sir, I do.

Senator BROWN. Have you had conversations with him?

Mr. AWAN. I have.

Senator BROWN. Did he at any time in those conversations make reference to this committee or its inquiry?

Mr. AWAN. Yes, sir. At the stage that the subpoena was—had been served, I had two, maybe three meetings with him at that stage where he—one meeting I recollect was in Washington, DC, at his office. Another was in Miami when he came to check on the records that the bank had collected. And he and some of his colleagues interviewed me at that stage, again asked me whether I had any records in my possession in Miami, which I told him I did not.

Senator BROWN. Did he, at any of these meetings, indicate or give you an indication of whether he intended to cooperate with the committee, or what kind of attitude he had in complying with this committee's inquiry?

Mr. AWAN. I recollect at one meeting his saying that he would play hardball as far as this was concerned.

Senator BROWN. When he said he would play hardball with the committee, what was your impression of what he meant; that he would not cooperate?

Mr. AWAN. My impression was that he would resist.

Senator BROWN. In your activities in Washington, did you have contact with a Sani Ahmed?

Mr. AWAN. Yes, I did.

Senator BROWN. And I take it he was in charge of protocol.

Mr. AWAN. He was officially the chief representative of the bank in the representative office over here, and he was my direct superior.

Senator BROWN. Did you, during your tenure there—or did he, to your knowledge, have any contact with political figures here in Washington?

Mr. AWAN. To my knowledge, no.

Senator BROWN. For special loans or special favors?

Mr. AWAN. I'm quite sure he did not. Because if he had, I would have known.

Senator BROWN. And as far as you know, there were none?

Mr. AWAN. No.

Senator BROWN. There was none. Were there any political figures that you worked with in connection with the bank?

Mr. AWAN. I personally did not. I had maybe one—one or two meetings with some political figures, but more or less on a social basis. There was no specific meeting as such.

Senator KERRY. Here in Washington?

Mr. AWAN. Yes, sir.

Senator BROWN. Was there ever a discussion of influence or assistance or favors that political figures might offer the bank?

Mr. AWAN. Never, not in my presence.

Senator BROWN. I would be interested in any thoughts you have or suggestions you have as to what kind of controls or regulations or checks you would recommend to make the system work with regard to controlling the flow of drug money or the money laundering.

Mr. AWAN. Well, this is a very vast subject, Senator. And the amounts involved in this are colossal. From what one reads, it's in the billions. Certainly in my experience I didn't see these kinds of figures coming through our bank, but during my tenure in Panama I knew there were several banks which were known in the banking community as accepting drug funds.

Senator KERRY. What banks were they?

Mr. AWAN. Mainly it was the Swiss banks, certain American banks. There was nothing concrete, but these were rumors which floated amongst the banking community over there. Commissions were paid for accepting drug funds.

Senator KERRY. What was the going commission rate?

Mr. AWAN. Well there two kinds of commissions, Senator. The banks in Panama used to take a 1 percent commission on any cash deposit in a large amount. So if you accepted—if the bank accepted $1 million, they would take a 1 percent cut for cash handling. This was a well known fact.

There were other brokers. Several brokers called on me and told me that they could provide vast sums of money. They didn't say they were drug funds, but they could give us big deposits if we paid them a 1 percent commission, or sometimes 2 percent commission. During my tenure, we never solicited funds from any of these people.

Senator KERRY. Did you ever pay those commissions?

Mr. AWAN. No, sir, because I did not solicit those funds. There were several known brokers who used to go around various banks and offer these services. I think the funds involved are so large and the temptation for banks to accept those funds, because banks are in the business of accepting money and lending it out.

The temptation is very great, and I really can't say what kind of checks and controls I could recommend. With hindsight, maybe, I could say now. But at that stage, certainly, I didn't think of any. Because I was in the same market.

Senator BROWN. Are there regulations against charging fees for cash deposits, those kind of commissions?

Mr. AWAN. At the time I was in Panama there were no restrictions, there were no regulations for this kind of money. You could deposit any amount of cash; you could take out any amount of cash.

Senator BROWN. And I take it no reporting or disclosure requirements?

Mr. AWAN. No, sir, not at all.

Senator BROWN. Was there anyone else that you had—I mean obviously to have a bank account as you had, or an account as you had with Noriega that is kept secret?

Mr. AWAN. Yes, sir.

Senator BROWN. Where records are kept out of the country and so on, is not the normal course of business. Anyone else? Are there any other entities that you provided that time of secret bank account service for?

Mr. AWAN. Well I would say that numbered accounts were a facility which the Panamanian banking system offered. And every bank had a great deal of numbered accounts, as BCCI did. In addition to that, if somebody came in and said that he wanted—came into an international bank and asked for an account to be opened in Luxembourg or Switzerland or wherever, that was a facility which every bank provided. So there was nothing unusual about that.

Mr. BROWN. Do you see a lot of legitimate reasons why that kind of practices, those practices, should be followed, other than simply accommodating people who want to launder drug money?

Mr. AWAN. Well, sir, as you know Panama is a tax haven. And a large number of people used to put money over there for tax purposes. But it was a known fact within the banking market that there was a lot of drug money as well.

Senator BROWN. I just am wondering in my own mind why it is our country would accommodate banking relationships with countries that provide that kind of service?

Mr. AWAN. It's my impression that every bank in possibly most countries encourage flight capital. I remember reading a report commissioned by Morgan Guaranty in 1987 which said that the volume of bank deposits in South Florida from Latin America was $83 billion. Some of it could have been flight capital; some of it could have been drug money.

There's a large variety of reasons why people would put money here. Because money flows to the safest haven, and a lot of money was coming into the United States and being accepted into the system here.

Senator BROWN. Thank you.

Senator KERRY. Thank you very much, Senator Brown. Just a couple of questions before we wrap it up here.

Mr. Bilgrami testified about the way he felt when the bank pled out and left him and others hanging there. Were you surprised that the bank took a plea?

Mr. AWAN. Yes, I certainly was.

Senator KERRY. Had they told you otherwise?

Mr. AWAN. The bank had certainly not told me, no. And I didn't expect them to do that.

Senator KERRY. But the people representing the bank.

Mr. AWAN. No, sir. My own attorneys told me that it was a possibility, but certainly not the people representing the bank.

Senator KERRY. Well what surprised you about the plea?

Mr. AWAN. Frankly, I didn't think they'd leave us in the lurch; they would continue to support us. And by taking a plea, they pulled the rug from under our feet. Because what we were doing was simply following the orders of our superiors at the bank.

Senator KERRY. So, in effect, the little guys who were following the orders were left holding the bag while the bank took a plea and walked away. Is that what you are saying?

Mr. AWAN. Yes, sir. That's what I'm saying.

Senator KERRY. You were with BCCI from 1978?

Mr. AWAN. Yes, sir.

Senator KERRY. Until 1988?

Mr. AWAN. That's correct.

Senator KERRY. 10 years?

Mr. AWAN. Yes, sir.

Senator KERRY. You were with Mr. Abedi for a while before that, correct?

Mr. AWAN. I worked in the same bank, sir. But I was a junior officer and he was the president, so I didn't have of a—I certainly knew him, but I didn't have much contact.

Senator KERRY. When did you first become aware that BCCI was kind of a renegade bank doing its own thing differently?

Mr. AWAN. The course of my stay in London, there were various rumors which floated around that the bank was insolvent.

Senator KERRY. What years was that?

Mr. AWAN. I would say 1979 or 1980.

Senator KERRY. So 1979 and 1980 you had this sort of insolvent entity with all kinds of rumors around, and for another 8 years it went on?

Mr. AWAN. Yes, sir.

Senator KERRY. Lending and ponzying and scheming and defrauding and buying illegally and doing all these things, correct?

Mr. AWAN. It certainly went on, yes, sir.

Senator KERRY. Was it doing those things?

Mr. AWAN. I was personally not aware of those. I was only aware of the rumors which floated around at my level in the bank.

Senator KERRY. But you heard them all the time, did you not?

Mr. AWAN. Yes, sir.

Senator KERRY. And you certainly were not unaware of why the bank bought branches in Colombia, were you?

Mr. AWAN. No, sir, I was involved to some extent with that particular transaction.

Senator KERRY. So why did it buy the branches in Colombia?

Mr. AWAN. It was the philosophy of Mr. Abedi that he wanted to have a presence of the bank in every country of the world. And in that connection we were always asked to identify countries—people like me who were outside London, to identify areas where we could open.

Senator KERRY. There could not have been much doubt about where a lot of the dollars coming out of Colombia were coming from.

Mr. AWAN. Yes, sir, that is correct. But at the same time we were also interested in several other Latin American countries which I was working on myself.

Senator KERRY. Understood. I am just addressing the Colombia issue.

Mr. AWAN. Yes, sir.

Senator KERRY. What does BCCI mean today, in 1992, to you? What is the meaning of this?

Mr. AWAN. To me it's an organization which I worked for and which I thought was a very good organization, which left me in the lurch when problems arose. That's my perception of it.

Senator KERRY. What does it mean, larger scale in terms of the financial community and banking and accountability? Is there any larger message here from your perception?

Mr. AWAN. Yes, sir. The larger message is that there should be more regulation, more control. There should be—the accounts should be scrutinized better. The central banks should be more responsible. The auditors should be more responsible to prevent a thing like this.

Senator KERRY. Well you are smart fellow with an economics background and you worked in London and you were living pretty well, were you not?

Mr. AWAN. Yes, sir.

Senator KERRY. Is there any way to get a handle on this, as long as you have got these havens like Panama, the Caymans, Luxembourg, where you have a premium on secrecy and a premium on attracting flight capital? Is that not going to create a disequilibrium in the marketplace that just totally disadvantages law abiding entities?

Mr. AWAN. Absolutely. I agree with you, sir. Money will fly to the safest haven.

Senator KERRY. So what do we do about it? I beg your pardon?

Mr. AWAN. Money will fly to the safest haven.

Senator KERRY. Absolutely.

Mr. AWAN. And it'll continue as long as these places remain with the same laws.

Senator KERRY. Well who does it serve? Why are these places remaining? The industrialized countries supposedly live by a different standard, and they are the principal investment areas of the world as well as the principal banking systems, are they not?

Mr. AWAN. Certainly?

Senator KERRY. Do they want this? Is that what it is? Are they winking and, you know, sort of saying one thing out of one side of the mouth but loving it out of the other?

Mr. AWAN. I certainly believe that, Senator.

Senator KERRY. Why?

Mr. AWAN. Because it is of advantage to them to have hard currency coming into their areas. It helps their economies.

Senator KERRY. Well where would the currency go if there were a system that had accountability? It still has to become productive. It somehow has to be repatriated, does it not?

Mr. AWAN. Yes, it does.

Senator KERRY. I mean it does not do a Colombian a lot of good to be sitting with suitcases full of dollars.

Mr. AWAN. Right.

Senator KERRY. They have got to get back in the system and be laundered to become legitimate, to earn interest and create legiti-

mate entities which ultimately allow them to get out of the business and live on a yacht in the Mediterranean or the Caribbean and hopefully live out their life, right?

Mr. AWAN. Yes, sir. That is precisely why the banking havens exist, because they accept the deposits and they recycle them into the international money markets.

Senator KERRY. But explain to me and others who listen why it is that the legitimate banking interests allow this to go on even though it is anticompetitive with them.

Mr. AWAN. Well we just have to look at the volumes involved, Senator. I mean if you're talking of billions of dollars of illegal money, they have to go to some banks and they have to certainly go to some legitimate banks. And I personally have not seen any of the legitimate banks sending this money away. They accept it because it makes money for them. That's the business they're in, to make money for themselves.

Senator KERRY. And I suppose, in fairness to them, they do it because everybody else is doing it.

Mr. AWAN. Absolutely.

Senator KERRY. So who can stop the circle? Can it be? Is this just a pipe dream?

Mr. AWAN. No, I think the responsibility is of the regulators and the central banks. I think they can stop it. They have the mechanism to do that.

Senator KERRY. How?

Mr. AWAN. By tighter regulation.

Senator KERRY. Does it make a difference in the United States that you have to report cash deposits from $10,000 down?

Mr. AWAN. In my opinion, no, sir.

Senator KERRY. Why?

Mr. AWAN. Because you have all sorts of ways of getting around it. Smurfing. Flying the money out physically to places like Panama, and then it comes back legitimate to the Federal—to the Fed in billions of dollars.

Senator KERRY. And that is what happens, is it not? Literally suitcases and palettes and containers of money get taken out of the country, and then it comes back in through other means. Is that not correct?

Mr. AWAN. It comes in through official means.

Senator KERRY. What do you mean by official? You mean through the checking system?

Mr. AWAN. No, sir. For example, Colombia. The Government of Colombia allows anyone to walk into the central bank and exchange dollars for pesos. The dollars are then put into the central bank's deposits, packed, and sent to the Fed.

Senator KERRY. Sent back to the Fed.

Mr. AWAN. And they are official reserves of the Republic of Colombia, and no questions are asked about that.

Senator KERRY. Well this committee has long argued—this is why we passed some amendments known as the Kerry amendments which are sort of hanging out there. But the theory is that until we get an international compact on this, we really are swimming upstream. I mean unless we pursue a major agreement between nations on this whereby people are living by the same stand-

ard, it is very difficult to get other people to adhere to any standard at all. And I think you have just confirmed that in your experience.

Mr. Pharaon, do you know Mr. Pharaon?

Mr. AWAN. Yes, I do.

Senator KERRY. Did you have dealings with Mr. Pharaon?

Mr. AWAN. Not dealings as such, but I have met him on several occasions.

Senator KERRY. What can you tell us about Mr. Pharaon's relationship to BCCI?

Mr. AWAN. I knew that he was a major shareholder.

Senator KERRY. A nominee, or major shareholder?

Mr. AWAN. I knew him as a major shareholder. I knew nothing of his nominee status until much later.

Senator KERRY. At this point I would like to insert several documents into the record regarding Mr. Awan's testimony. Well, Mr. Awan, thank you for your testimony today. We appreciate it. I think it has helped to tie up some loose ends and complete the record for the committee. And if there any subsequent issues, we will get back to you. We know where to reach you.

[The information referred to follows:]

(A)

TELEX 892354 FSTAMERICA
248427 FSTAM UR
197638 1STAM UT
CABLE
ADDRESS FSTAMERICA

1ST AMERICAN
FIRST AMERICAN BANK, N.A.
INTERNATIONAL DIVISION

May 27, 1986

Mr. Mario Vásquez Raña
President and General Director
Guillermo Prieto No. 7
Colonia San Rafael
Mexico, D.F. 06470

Dear Mr. Vasquez Raña:

It was a pleasure to see you and Mrs. García again and to see your offices in Mexico City. Further, I was pleased that you had the opportunity to meet Miss Maureen McDonald from our International Department where she manages diplomatic and personal banking relationships, and Mr. Akbar Bilgrami from the BCCI Miami Office who has extensive experience working in Latin America.

It is encouraging to learn that your organization is sole contender to purchase UPI, a fact confirmed further in an article in the Washington Post while we were away.

As we indicated, First American would like to work with you and UPI in a number of different service areas, including cash management, credit accomodations, investment management, and personal banking for you and your key executives. In each, we believe our bank offers unique capabilities with a level of attention superior to our competitors. Comments follow on those serivices on which we would like to present specific proposals.

1. Cash Management

   a) Concentration of Cash from abroad into international concentration accounts and eventually to First American Bank in Washington assisted by BCCI's international network of offices. In this regard, Mr. Bilgrami, Mr. Awan in the Washington office of BCCI, and their colleagues world wide will work closely with us.
   b) Lockbox
   c) Controlled Disbursement
   d) Account Reconciliation
   e) Direct Deposit of Payroll
   f) Overnight Investments - sweep arrangement

2. Credit

   a) Revolving lines of credit for working capital
   b) Equipment loans or lease facilities
   c) Loans for other purposes
   d) Letter of credit facilities

AMERICAN

Mr. Vasquez Rana
Page 2

It is my understanding that you are planning financing of $14.0 million more or less for computer equipment secured by cash collateral. We have a solid reputation for competitive pricing which I believe you will find attractive.

3. Investment Management

Our Asset Management Department can assist in the following areas:

a) Managing the fund for unsecured creditors in accordance with the bankruptcy court's ruling.
b) Managing and administering the pension fund for the benefit of non-union employees.
c) Administering an ESOP for all employees to be funded with Class B common stock.
d) Serving as stock transfer agent for Class B common stock.

I would like to point out the department's investment performance statistics rank it in the top 3% of the United States. Please see graphs attached.

4. Personal banking

We offer all types of personal service including credit assistance for executive relocation.

Of major importance, the entire relationship of UPI will be under the supervision of Mrs. Schmidt, Vice President who has considerable experience with companies engaged in communications and publishing. Miss McDonald will handle your personal account requirements. In addition, you have ready and on-going access to the senior management of the bank.

At this point, we stand ready to respond to specific requirements and will look forward to your response.

Sincerely,

Barry W. Blank

MM/jzk

MEMORANDUM

FROM Mr. Akbar Bilgrami
LOCATION BCCI-LAR-Miami
DATE August 8,1986
REF MKT/ 6154
SUBJECT Mr. Mario Vazquez Raña-United Press International

TO Mr. S.M. Shafi
LOCATION BCCI-LAR-Miami

The above gentleman, as you are aware, was identified by Mr. Awan and subsequently at his request I met the same in Mexico City to pursue the possibility on personal banking. As follow up to the meetings Mr. Awan arranged another meeting in Washington with the undersigned and Dr. Calvo (who already knew Mr.Vazquez before) to finalyze personal banking arrangements for Mr. Vazquez and opening of accounts of UPI with BCC branches.

Following major points were discussed:

1. Opening of UPI accounts in countries where BCCI and UPI have offices (25 countries)

2. BCC TC's to be nominated as official TCs for tenth Pan American games

3. Personal Deposits

Mr. Vazquez Raña instructed Treasurer of UPI to immediately open bank accounts with us. In this connection, Mr. Ameer Siddiki has nominated one officer in London to liaise with Mr. Awan in this aspect.

Mr. Vazquez agreed to support our bid to be official TC Vendor and in this connection we spoke to Mr. Ameer Siddiki who suggested that the matter be taken up by Travellers Cheques Division with Visa, who are also biding to be also sponsor for the games.

As regards to personal deposits there is a maturity of US$ 22 M in mid-October and Mr. Vazquez Raña has agreed to consider placing with us a considerable part of this deposit on maturity. It is worthwhile to note that Mr. Vazquez had complained about the pettyness of some American Banks with reference to charges on checkbooks, etc.. In this connection, Mr. Awan's suggestion of providing a BCC Gold Card (free of costs) and a BCC desk watch was conveyed to Mr. Siddiki who kindly agreed to send the same to Mr. Awan to be delivered to Mr. Vazquez next week alongwith the account opening forms for an account to be opened at BCC Miami and/or Nassau.

.....

We had agreed with Mr. Vazquez to meet with him at the soonest. and [illegible] we have received all account opening forms and other information, we shall meet with him at the end of next week to finalyze the matter.

Best regards.

Akbar Bilgrami

cc: Mr. Anwar Siddiqui
Mr. Amjad Awan

20217
26 September 1986

Amjad -

Per your request. here is a copy of the proposal delivered to Mr. Burset in July. As you will see it follows the lines we discussed at a various meetings in the past.

Since we delivered the proposal we have had virtually no contact with the company on a face-to-face basis until this week. for example, I delivered a package of signature cards and contracts to Mr. Vasquez Rana a couple of weeks ago, at your suggestion, but heard nothing from his office until Monday of this week.

At this time he is prepared to proceed with us and Maureen and I are eager to continue working with you to deliver the services outlined in the proposal.

However UPI has chosen to use very simple domestic cash management arrangements at this time and I believe that they will request a similar set up on the international side.

I will be going on vacation next [illegible] will return the 20th

In my absence I hope that you and Maureen will be able to meet and resolve any problematic requests that API might have. Please call me if you have any questions.

—Sus—

1ST AMERICAN
FIRST AMERICAN BANK, N.A.

Susan P. Schmidt
Vice President
(202) 637-6235

July 23, 1986

Mr. Miguel A. Gursel, General Manager
United Press International, Inc.
1400 I Street, N.W.
Washington, D.C. 20005

Dear Mike:

Please find enclosed a proposal for United Press International's international and domestic cash management business. In this proposal we have tried to give you an idea of what we could do for your company and have made some recommendations regarding procedures and mechanics which appear to make sense.

Since there are still a number of issues to be resolved this proposal is designed to be a discussion document which we can refine to suit your needs more specifically as we learn more about your requirements. Therefore, we would like to schedule a meeting with you on Friday to review with you your questions and comments. At that time we will be able to give you more guidance and respond to your concerns.

Sincerely,

Susan P. Schmidt

SPS/aar

Enclosure

1ST AMERICAN
FIRST AMERICAN BANK, N.A.

UNITED PRESS INTERNATIONAL

JULY 1986

EXECUTIVE SUMMARY

First American Bank is committed and capable of providing cost effective cash management services that will be customized to meet your specific needs. The objectives of the cash management program will be:

1. To maximize convenience
2. To provide for the efficient concentration of funds
3. To reduce or eliminate many of the administrative problems now faced by the company
4. To provide a high level of personal service here and around the world

This proposal addresses specific areas where First American Bank offers alternatives and enhancements to UPI's current cash management arrangement. First American Bank believes that through active discussion with UPI we can arrive at the best possible and most comprehensive cash management program. This program will focus on domestic and international collections, concentration, investments, and disbursements.

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INTERNATIONAL CASH MANAGEMENT

First American Bank, N.A., in cooperation with its affiliate Bank of Credit and Commerce International (BCCI) and its extensive international correspondent bank network, is prepared to establish an international cash management program to meet your company's needs.

I. Establishing Banking Relationships

The first step we recommend is that UPI establish banking relationships with BCCI in the locations where they have full service branches corresponding with your bureau locations, and that UPI establish the remaining banking relationships with our correspondent banks in countries where UPI is not already doing business with our correspondent. Attached is a list of UPI bureau locations where you maintain banking relationships and the locations where BCCI maintains branch locations (Exhibit 1). In establishing these accounts First American Bank, N.A. would assist you in the following areas:

1. The choice of a convenient and well-established banking institution. We would review your locations and the locations of our affiliate or correspondent to help you find a bank that is easily accessed. We would also guide you to financially sound institutions with established reputations and the ability to perform well.

2. The mechanics of opening the accounts. We could notify the BCCI locations where you wish to open accounts by telex and have the accounts opened very quickly. We would then have signature cards forwarded to the local bureau and yourselves, as you requested. Our goal would be to ensure that the appropriate signers are registered on the accounts. We would also arrange for statements to be sent to the location that you request on a monthly basis.

3. The deciphering of local regulations regarding foreign exchange and transfers. Through the extensive worldwide network of BCCI, we would assist you when possible to release restricted funds. We may also advise you on exchange controls and regulations.

II. Cash Concentration

Although we could retain the current structure which allows for cash to be concentrated in three geographic areas, we recommend that UPI reduce to two the number of locations where cash is concentrated outside of the United States. We recommend retaining the cash concentration [illegible] Hong Kong, at least initially, and consolidating the Latin American funds in Washington. Funds may be transferred to your Latin American bureaus directly from the Washington concentration account (Exhibit 2).

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Within this arrangement, we would propose to provide you on a daily or weekly basis with a telexed report of the balances and account activity in Hong Kong and London. From these daily or weekly reports, your Financial Manager could make a decision whether to request transfers to or from the concentration accounts. He could notify First American Bank to effect the transfer or to notify BCCI - Hong Kong or BCCI - London to remit the funds to the Washington concentration account. Alternatively, BCCI - Hong Kong and BCCI - London could have standing instructions to remit any funds over a certain targeted balance back to the main concentration account in Washington.

Since you maintain concentration accounts in Hong Kong and London, we would recommend that flows of information as well as flows of funds be routed through these concentration accounts. Transfers may be effected more quickly from these locations, principally due to the difference in time zones between Washington and the bureau locations.

If UPI wanted to eliminate the Hong Kong and London concentration accounts, however, and route all transfers directly through Washington, we would be able to assist you in arranging this system. At the present time, we recommend that you continue using the concentration accounts to allow for less disruption.

We would recommend that the balances in the non-concentration accounts be pared down where possible. For example, at ANZ Bank in Australia, the UPI office is maintaining balances over U.S.$100,000. In the locations where there are restrictions on transfers of funds, we would recommend that UPI try to match the income in local currency with the expenditures in the local currency. For example, in Rumania where exchange controls are very strict, UPI could negotiate to receive only enough Rumanian leas to cover the bureau's expenditures and the remainder of funds would be in convertible currency.

We have noted above that information will be routed via telex. In the case of London and Hong Kong where we would expect daily messages, information and transfers would be routed via S.W.I.F.T. which is a less expensive message system. If you would like, balance information for Hong Kong and London could be reported through the same balance reporting system as UPI's domestic accounts. More information about balance reporting follows in the domestic cash management services section.

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DOMESTIC CASH MANAGEMENT SERVICES

First American Bank offers comprehensive cash management services to more efficiently monitor and control domestic cash flow and integrate international transactions as well. This integration of information will be of extreme importance to UPI as it begins to better coordinate its worldwide flow of funds.

The services outlined offer alternatives for domestic collections of receivables, concentration and investment of cash, and disbursement of all payables. These services allow for concentration and centralization of UPI's banking under one roof and eliminates the need for multiple banks in various U.S. cities (Exhibit 3). Bank officers are close at hand, ready to respond, and can keep UPI informed of regulatory or technological changes that may effect UPI's overall operation.

I. Domestic Collections

First American Bank recognizes the need for UPI to utilize a receivables collection system for the $7 million collected each month. We recommend that a lockbox system be established for the collection of the 3,000 domestic receivables through a Washington, D.C. post office box and possibly, a second collection site through a correspondent bank in a city where a concentration of receivables exists. A comprehensive review of UPI's receivables is suggested to assess the feasibility of such an arrangement.

The lockbox collection system may be processed manually, as is currently being done, or via automated processing. Automated lockbox processing would provide additional detail of all invoices received and eliminate the need for UPI to keypunch this information into its internal system.

A further enhancement to your collection system would be to expand the use of electronic drafting of large receivable accounts via the Automated Clearing House. This ensures efficient crediting of the receivables and reduces processing costs. Information may be conveniently exchanged from your Reston, Virginia processing site to our Reston Operations Center located on Campus Commons Drive. Both the lockbox arrangement and the electronic drafting of your clients' accounts would offer increased availability of your daily deposits and allow for timely concentration of your funds into one central account at First American Bank.

II. Concentration of Funds and Reporting

Information regarding UPI's current account balance and detailed transaction reporting may be automatically transmitted to UPI's office each morning. This would provide an accurate and up-to-date accounting of UPI's current cash position.

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Each morning your Financial Manager may access a ledger and collected balance, as well as any other information that UPI deems important in managing the flow of cash through the concentration account. The information is available through a terminal and may be accessed at your own convenience using a format that will be customized to meet your needs.

Information regarding UPI's balances in the Hong Kong and London accounts could also be transmitted to the Washington office. This could be done on a regular basis to serve as an update of UPI's cash position both internationally, at the regional concentration banks, and domestically. This could be done on a daily or weekly basis depending on UPI's desire for this information. The Washington office would then be able to monitor the international cash position of UPI and make financial decisions based on this current information.

Once the balance position has been obtained, the Financial Manager will decide whether to invest the excess cash. If an investment is to be initiated, the Financial Manager may contact First American Bank's Investment Services Center to obtain current and competitive rate information. Instructions for investment may be given at this time and the transaction completed.

An automatic overnight investment arrangement is also available for investment of excess funds in the concentration account. First American Bank's Target Balance Account allows for idle account balances to be automatically invested daily without the Financial Manager's involvement into specified short-term investments. After daily activity on the concentration account is analyzed, all funds in excess of the target and in-clearing balances are automatically swept into overnight investments - Repurchase Agreements and Eurodollar Deposits.



III. Investments

First American Bank offers a wide range of investment alternatives for overnight or short-term investments. These include repurchase agreements, Eurodollar currency deposits, certificates of deposit, commercial paper and Treasury securities. A description of each investment vehicle follows.

Repurchase Agreement

A repurchase agreement, which requires a minimum investment of $100,000, is created when the bank sells a U.S. Treasury or agency security from its investment portfolio to a client with an agreement to buy the security back at a later date at a specified rate. With an open-end repurchase agreement, the amount of the repurchase agreement and the rate are adjusted on a daily basis. Confirmation is sent to the client whenever the repurchase agreement principal balance changes. Interest is credited to the client's checking account once a week and a confirmation is sent.

The U.S. Government Securities which collateralize your repurchase agreement will be noted on our records and detailed in the confirmation provided at the initiation of each transaction. Under opinion of our counsel, the security interest in these obligations is protected for a period of 21 days as is provided by the Uniform Commercial Code 9-304 (4). In addition, these securities are obligations according to the terms of our repurchase agreement and are held at the Federal Reserve Bank of Richmond for no other purpose.

The rate of interest on repurchase agreements is internally generated at the bank and usually changes daily - reflecting market conditions and the availability of necessary collateral. The size of the transaction is also a factor in rate calculation, with repurchase agreements of over $1,000,000 commanding a premium rate at First American Banks.

Eurodollar Deposits

Eurodollars are deposit liabilities denominated in U.S. dollars, of banks located outside the United States. Eurodollar deposits may be owned by individuals, corporations, or governments from anywhere in the world. Because the Eurodollar market is relatively free of regulation, banks in the Eurodollar market can operate on narrower margins or spreads between dollar borrowing and lending rates than can banks in the United States. This allows Eurodollar deposits to compete effectively with deposits issued by banks located in the U.S.

The majority of money in the Eurodollar market is held in fixed-rate time deposits. The maturities range from overnight to several years, with most of the money in one-week to six-month maturities. At First American Bank, N.A. Eurodollar deposits are maintained at our Nassau branch.

The rate of interest on Eurocollars is internally generated at the bank and usually changes daily - reflecting market conditions. Eurocollar deposits greater than $1,000,000 also command a premium rate at First American Banks.

Certificates of Deposit

First American Bank also offers certificates of deposit with maturity dates on certificates of $100,000 or greater ranging from 7 days to one year and can be tailored to meet a customer's particular maturity requirements. Factors such as the term and identity of the issuing bank determine the marketability and yield of the certificate.

The rate of interest on certificates of deposits is internally generated at the bank and usually changes daily - reflecting market conditions. Certificates of deposit greater than $1,000,000 command a premium rate at First American Banks.

The following investment vehicles, commercial paper and Treasury securities, may be purchased by First American Banks on UPI's behalf.

Commercial Paper

Commercial paper is an unsecured promissory note issued by large financial or industrial companies in order to raise funds on a short-term basis. In general, commercial paper is available in denominations of $100,000 or greater. Maturities on commercial paper range from overnight to 270 days. Choosing a proper maturity of commercial paper is important since a well-developed secondary market does not exist.

Commercial paper can be purchased on either a discounted basis or on an interest bearing basis. In either case, a 360 day basis is used and yields are identical.

Firms issuing commercial paper obtain ratings from at least one of three services, Moody's Investors Service, Standard & Poor's Corporation, and Fitch Investor Service.

Treasury Bills

Treasury bills are short-term obligations of the United States Government. They are highly liquid securities and a large, well-organized secondary market exists. Treasury bills may be purchased from a minimum denomination of $10,000 up to $1,000,000 in increments of $5,000. The bills are sold on a discounted basis and the face amount is paid at maturity.

New offerings of three and six-month bills are made each week by the Treasury. The auction is usually conducted on Monday, with delivery and payment on the following Thursday.

IV. Disbursements

Controlled Disbursement

Since the disbursement service market has changed dramatically in recent years as a result of technological changes in corporate operations, First American Bank has met this challenge and provides its customers with a state-of-the-art disbursement services.

First American Bank's Controlled Disbursement Service provides our customers with same day information on the exact amount of money necessary to fund a disbursing account. Our Controlled Disbursement Account is maintained at Eastern Shore National Bank in Pocomoke City, Maryland. The primary objective of Controlled Disbursement is to avoid idle balances in a disbursement account and to identify the exact daily presentments. Controlled Disbursement allows UPI to determine its exact cash position early enough in the morning to invest in overnight money market instruments at attractive rates.

Each morning prior to 11:00 a.m., the Financial Office would be telephoned with the total number and the total dollar amount of checks clearing the disbursement account on that particular day. First American then initiates a wire transfer to Eastern Shore National Bank for the total amount of presentment and in turn debits UPI's account at First American Bank.

Based on recent customer experience, one additional day's float on each check written has been realized through Eastern Shore National Bank.

Given that UPI issues approximately 3,000 checks monthly, First American Bank offers Account Reconciliation for the reconciliation of all checks written during the month. With First American Bank's assistance the reconciliation process for this disbursement account can be simplified.

At month end, all checks paid during the month are sorted into numerical order and returned to your office with your checking account statement. You will also receive a report, either on hardcopy or magnetic tape, listing all checks paid in serial number order and the date each item was paid.

We also offer an additional enhancement to Account Reconciliation. If UPI would choose to provide First American Bank with specific information on those checks issued during the month, we can supply a report, again either on hard copy or magnetic tape, listing all checks paid in serial number order, all checks issued in serial number order, and an outstanding check balance.

South Africa (Johannesburg)	
Spain (Madrid)	
Sweden (Stockholm)	
Switzerland (Geneva)	BCCI
Tunisia (Tunis)	BCCI
Yugoslavia (Belgrade)	BCCI
Kenya (Nairobi)	BCCI
Great Britain	
. Jersey (Isle of Man)	BCCI
. London	BCCI

Latin American Region

Argentina (Buenos Aires)	BCCI
Brazil (Brasilia	
Brazil (Rio de Janeiro)	BCCI (near future)
Chile (Santiago)	
Colombia (Bogota)	BCCI
Paraguay	BCCI
Peru	
Uruguay (Montevideo)	BCCI
Venezuela	
Mexico	
Honduras	
Nicaragua	
Guatemala	
Dominican Republic	
Puerto Rico	Banco Popular de Puerto Rico

At locations where there is not a BCCI location, UPI may continue with their current bank or we may suggest a BCCI or FABNA correspondent.

Exhibit 1

UNITED PRESS INTERNATIONAL

BUREAU LOCATIONS WHERE THERE ARE BCCI FULL-SERVICE BRANCHES

Asia Division

Burma (Rangoon)	
China (Beijing)	BCCI (if allowed by Bank of China)
Taiwan (Taipei)	
Hong Kong	BCCI (recommend closing Citibank account and maintaining account with BCCI-Hong Kong)
India (New Delhi)	
Indonesia (Jakarta)	
Japan (Tokyo)	BCCI
Korea (Seoul)	BCCI
Singapore	
Pakistan (Karachi)	BCCI
Philippines (Manila)	BCCI
Thailand (Bangkok)	BCCI
Australia (Sydney)	BCCI (will soon open branch)
New Zealand (Wellington)	

European Division

Austria (Vienna)	
Belgium (Bruxelles)	
Czechoslovakia (Prague)	
Bulgaria (Sofia)	
Denmark (Copennagen)	
Egypt (Cairo)	BCCI
England (London)	BCCI
Finland (Helsinki)	
France (Paris)	BCCI
Germany (Bonn)	BCCI (in Frankfurt & Hamburg)
Greece (Athens)	
Guinea (Conakay)	
Israel (Tel Aviv)	
Italy (Rome)	
Lebanon (Beirut)	BCCI
Morocco (Rabat)	
Norway (Oslo)	
Poland (Warsaw)	
Portugal (Lisbon)	
Rumania (Bucharest)	
U.S.S.R. (Moscow)	

FIRST AMERICAN

Zero Balance Account - Payroll

A Zero Balance Account should also be used for UPI's payroll account. This account will allow for a zero balance to be maintained in the account and funds would be transferred from your concentration account automatically to cover each payroll check as it is presented for payment. This eliminates excess balances in the payroll account and also eliminates a weekly transfer from the concentration account to the payroll account. Since UPI currently uses the payroll vendor, Automatic Data Processing (ADP), for its payroll preparation, a transition can be made easily and First American can assist you in this transfer.

FIRST AMERICAN BANK, N.A.

Exhibit 2

UNITED PRESS INTERNATIONAL

Recommended International Cash Control and Reporting System

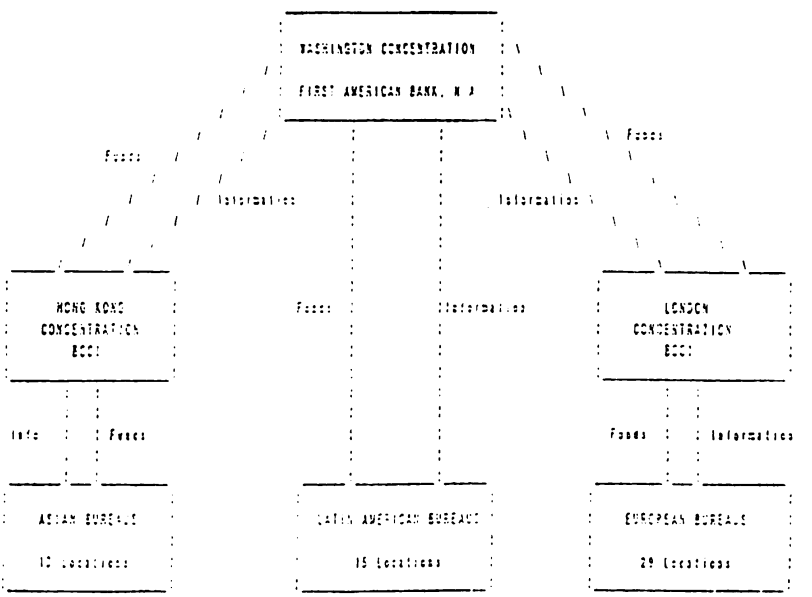
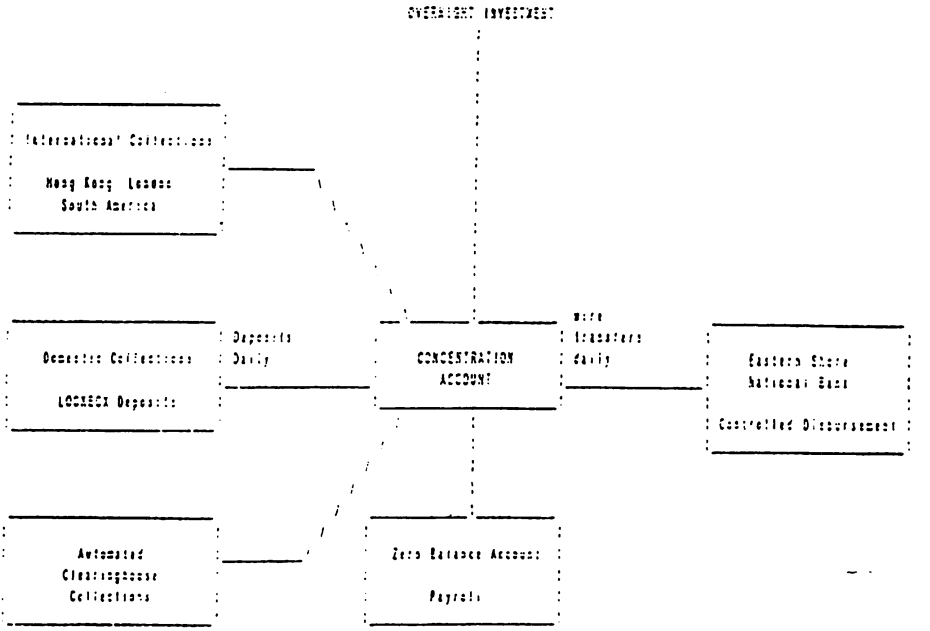


Exhibit 3

UNITED PRESS INTERNATIONAL

Recommended Account Structure



Date of Call: 11/20/86

OFFICER CALL REPORT FORM

Name United Press International	Call Made On: / Type of Call:
Address 1400 I Street, N.W. Washington, D.C. 20005	Client / Service
Telephone No.	Prospect / Sales
Principal(s) Mario Vasquez Rana	Purpose To have Barry thank Mr. Vasquez Rana for opening accounts at FABNA
Primary Contact & Title Jack Kenney 898-8164	Call Referred by Shaw Pittman
	Type of Business wire service
Calling Officer S. P. Schmidt	S I C No. 7351
	Annual Sales $90.0MM (approx.)
	No. of Employees 1,500 (worldwide)
	Other Banks Used ASB, M Bank

Name(s) of Other Bank Officer(s)/Department(s) Servicing Account

BANKING SERVICES

	Used (X)	Discussed (X)
DDA S&V		
C.D.		X
Cash Management		X
Short Term Loans		X
Line of Credit		
Trust Services		
Leasing		
International Services		

ACCOMPLISHMENTS

Sold Service
Review Credit
Resolved Problem
Left Door Open X
Other

FOLLOW-UP

Call on Mr. Vasquez Rana again in about three mos.

Date of Next Call: 2/1987

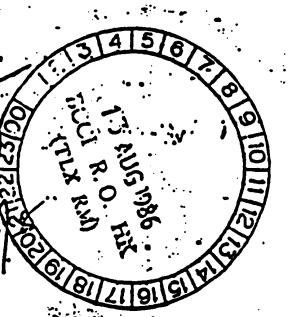
COMMENTS

On Thursday, November 20th, 1986, Maureen McDonald, Barry Blank, and I called on UPI to thank Mr. Vasquez Rana for opening accounts with the bank. In addition, it was our intent to smooth over the unpleasantness we experienced at the last meeting. Specifically, it was Barry's job to appease Mr. Vasquez Rana with reference to our request that he cash collateralized all drawings for UPI.

While the meeting was relatively productive, we did not get any additional business out of it nor did we resolve any major issues. I do, however, believe that Mr. Vasquez Rana was pleased to receive the attention and he told us to come back so that we could keep up the dialogue. Therefore, I believe that we should continue working with their financial people in the near term and plan to call on Mr. Vasquez Rana again in about three months.

S. P. Schmidt

Form Distribution - C. L. Scott Cooke, Susan Schmidt, Maureen Lord, Maureen McDonald, Julie Miller and Amjad Awan, BOCI



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892251 BCCLNA G
ZCZC ATX368 0116 0115 IMM132
ROHX/TO: BCC (HK) LTD REP OFFICE HONG KONG
002 TLX REF LDN 7451/08E 12.08.86

TO MR DILDAR H RIZVI/MR SUDHIR VIRENDRA/MR S P CHANDARYARKAR
BCC REGIONAL OFFICE HONG KONG

UPI - UNITED PRESS INTERNATIONAL

TOGETHER WITH REUTERS AND ASSOCIATED PRESS, UPI ARE ONE OF THE WORLD'S THREE MAJOR WIRE SERVICES PROVIDING NEWS STORIES AND INFORMATION GLOBALLY TO SUBSCRIBERS VIA ELECTRONIC AND SATELLITE TRANSMISSIONS.

UPI HAVE RECENTLY BEEN TAKEN OVER BY NEW MANAGEMENT WHO HAVE AGREED TO PLACE ITS ENTIRE US AND HEAD OFFICE BANKING PORTFOLIO WITH FIRST AMERICAN BANK, WASHINGTON AND ITS INTERNATIONAL OPERATIONS WITH BCCI.

WE SHALL ADVISE IN DUE COURSE THE NATURE OF YOUR LOCAL RELATIONSHIP AND ARRANGE FOR YOU TO MEET WITH UPI'S LOCAL MANAGER TO DISCUSS OPERATION OF THE ACCOUNT.

IN THE MEANTIME, KINDLY ARRANGE FOR 5 (FIVE) SETS EACH OF LOCAL AND FOREIGN CURRENCY ACCOUNT OPENING FORMS TO BE COURIERED IMMEDIATELY TO MR AMJAD AWAN IN BCCI, WASHINGTON D.C. AND ADVISE US BY TLX THAT THEY HAVE BEEN SENT.

WE ARE PLEASED TO ADVISE THAT BCC AND UPI ARE MUTUALLY REPRESENTATED IN 30 CENTRES OF A TOTAL UPI GLOBAL COVERAGE OF 60 COUNTRIES. AS SUCH WE ARE TODAY REQUESTING INTERNATIONAL DIVISION IN LONDON TO SET UP TEST KEY FACILITIES AND EXCHANGE OF CONTROL DOCUMENTS BETWEEN ALL RELEVANT BRANCHES AND FIRST AMERICAN BANK, WASHINGTON.

KINDLY NOTE THAT THE UNDERSIGNED TOGETHER WITH MR BRYN OWEN WILL BE ACTING AS BCC'S GLOBAL COORDINATOR FOR THE UPI ACCOUNT AND AS SUCH REQUEST THAT ALL CORRESPONDENCE BE ENDORSED TO CMD.

IN THE CASE OF BRANCHES WITH LIMITED LICENCES, I.E. MERCHANT BANK, FINANCE CO ETC, KINDLY ADVISE MR AWAN AND CMD BY RETURN TLX AS TO WHAT TYPE OF ACCOUNTS, IF ANY, CAN BE OFFERED TO UPI.

YOUR KIND ASSISTANCE AND PROMPT ACTION IN THIS MATTER WILL BE MUCH APPRECIATED.

WITH KIND REGARDS

ABU R NIZAM
CMD CSO.

N.B. THIS TELEX HAS BEEN SENT TO BOTH MARKETING ACCOUNT OFFICERS AND COUNTRY MANAGERS.

INFORMATION GLOBALLY TO SUBSCRIBERS VIA ELECTRONIC AND SATELLITE TRANSMISSIONS.

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BANCREDOM-LONDON

0121130886
NNNN
892251 BCCLNA G
72042 BCCRO HX

BUSINESS CALL MEMORANDUM

DATE: April 18, 1986 LAST VISIT: N/A

NAME: Embassy of People's Republic of China TEL: 328-2509

ADDRESS: 2300 Connecticut Avenue, N.W. Washington, D.C. TELEX:

OFFICERS CONTACTED: Mr. Li Hongkui, First Secretary
Mr. Wei, First Secretary

BCC OFFICERS ATTENDING: Amjad Awan, Washington, D.C.
Shazia Khan, Washington, D.C.

The purpose of the meeting was to introduce First American Bank to the Chinese Embassy to try and obtain their account. Mr. Barry Blank and Ms. Maureen McDonald from First American attended the meeting.

The Chinese Embassy is one of the larger diplomatic missions in Washington and has approximately 150 employees. The different sections in the Embassy, i.e. political, military, education etc., maintain separate accounts.

This meeting was with officers of the political section and was arranged by Mr. Yang Jae Chi who is the Ambassador's aide. The political section maintains both current and fixed deposit accounts.

Mr. Li informed us that the Embassy currently uses American Security Bank in the D.C. area, and that American Security provides the facility of a Chinese-speaking officer for them to deal with. Mr. Blank informed Mr. Li that First American is currently interviewing candidates with Chinese-speaking abilities and realized that this was an important part of the service to be provided. Literature was presented and Mr. Li will contact First American in the near future. He also offered to introduce Mr. Blank to the education section which maintains a fairly large account.

Follow-up is primarily First American's responsibility and they have invited Mr. Li and Mr. Wei to visit their offices for further talks.

BCCI Washington remains in contact with First American to provide further assistance if required.

BANK OF CREDIT AND COMMERCE INTERNATIONAL
SOCIETE ANONYME
REPRESENTATIVE OFFICE
1667 K STREET, NW, WASHINGTON, DC 20006

FILE: PRC

AA/FYI

SU

April 21, 1986

Mr. Li Hongkui
First Secretary
Embassy of the People's
Republic of China
2300 Connecticut Ave., N.W.
Washington, D.C. 20008

Dear Mr. Li:

My sincere thanks to you and your colleague Mr. Wei for giving us the opportunity to introduce our friends from First American Bank in Washington, D.C.

I am hopeful that this initial meeting and exchange of information will lead to the development of a mutually beneficial relationship between the Embassy and First American.

Because of our close relationship with First American, I am sure that the two banks can provide a full range of domestic and international banking services that will cover all your requirements.

We look forward to working with you and Mr. Wei to develop this relationship and would be happy to provide any further information that you may require. Please do not hesitate to call.

Yours very truly,

/s

Shahid Khan

cc: Mr. Barry Blank
Ms. Maureen McDonald
Mr. Yang Jae Chi

SK:ahk

BANK OF CREDIT AND COMMERCE INTERNATIONAL
SOCIETE ANONYME
REPRESENTATIVE OFFICE
1667 K STREET, NW WASHINGTON DC 20006

FILE

May 19, 1986

Ms. Maureen McDonald
First American Bank N.A.
740 15th Street, N.W.
Washington, D.C. 20005

Dear Ms. McDonald:

Reference our effort to obtain the Chinese Embassy account in Washington, D.C., I had the occasion to meet with Mr. Yang Jae Chi this weekend. He had helped to arrange our meeting at the Embassy last month.

I informed him of First American's continued interest and your attempt to employ a Chinese-speaking officer to handle their account. He responded that he did not forsee any difficulty in obtaining the account should you be successful in your hiring effort.

I thought it might be useful to pass on this information. Please advise if I can be of any further assistance.

Yours sincerely,

Shahid Khan

SA:ahk;

DICUSSION PAPER

RELATIONSHIP WITH FIRST AMERICAN BANK

We are liasing closely with First American Bank in their marketing efforts in the Washington area. Already a number of accounts of individuals/corporations have been opened and a good beginning has been made on Embassy accounts (Brunei, Bangladesh, Guatemala, [illegible] Pakistan, Panama). We hope to gear up this activity and make substantial progress in the coming months.

In addition next week we are jointly calling on thirteen embassies in Washington to get PL 480 business.

WORLD BANK/IMF AND OTHER AGENCIES

A great potential exists in this field and we are already working with the World Bank for Nigerian business and with C.C.C. under their GSM 102 program. Similar opportunities are available at the IMF, Interamerican Development Bank, US Aid (PL 480) and other agencies. Contacts have been made and various projects are being examined.

DEPOSIT GENERATION

All efforts are being made to mobilise deposits for other BCC offices and in some cases for First American Bank. During the last two weeks two amounts of US$15,000.00 and US$590,000.00 were placed in London.

CONVERSION OF REPRESENTATIVE OFFICE TO AGENCY

Could only be beneficial over a longer term period. Initial studies show that over the short run an agency in Washington may not be viable and results could only be achieved over a period of two to three years. In this context our relationship with First American also has to be kept in perspective.

OTHER POINTS

SUBLETTING HALF FLOOR.

~~INSTALLATION OF COMPUTER SYSTEM.~~

London [illegible] 1985

BCCI Washington Representative Office

MARKETING REPORT

The BCCI Representative Office in Washington, D.C. commenced operations in its new premises in late 1984 and we are pleased to submit this Marketing Report after the initial start up period.

The Representative Office consists of the Representative, one international officer and two local officers. This office also services the requirements of the special project group based here. In addition, protocol requests from other regions/branches are handled by us.

Keeping in view the purely supportive function of this Representative Office, we list below the progress made by us during the period under review.

1. WORLD BANK/IMF

We are continuing to expand our contact base in these organizations. The Nigerian Fertilizer Loan project is being coordinated by us and at the present time over US$200 million worth of Letters of Credit have been opened.

Contracts are also being developed at both the operational and executive level at all the regional desks. In addition, efforts are continuing at different levels to get BCC approved to open World Bank accounts.

2. PAN AMERICAN HEALTH ORGANIZATION

This is a subsidiary of the World Health Organization headquartered in Washington and we have been able to obtain the account of their Colombian office for Banco Mercantil in Bogota. PAHO also has offices all over the Caribbean and we are coordinating with Caribbean Regional Office to get their accounts in Jamaica and Barbados, and also the possibility of starting a depository relationship for their excess funds in Miami.

3. U.S. GOVERNMENT AGENCIES

a) Considerable headway has been made with the Commodity Credit Corporation of the U.S. Department of Agriculture. Both the Latin America and Caribbean Region are now doing business with them and we are in touch with them constantly in this regard. We are also forwarding on a regular basis copies of their handouts to Central Marketing Division and Corporate branch in London in an effort to centralize CCC business.

b) PL 480 business is being reported under item (4) below.

c) A report has already been submitted to CSO regarding U.S. Export Credit Agencies and we are awaiting guidance on how to proceed in this matter.

4. FIRST AMERICAN BANK

All business that our own agencies in the U.S. are precluded from handling is being passed on to First American Bank, and also those contacts who desire local bank accounts. The accounts worth mentioning in this respect are the Ahmediyya Community Account with balances of around US$1 million, Transview Travels Inc. with a monthly turnover of around $100,000, Natalic Restaurant with a turnover of about $35,000 per month and the Bangladesh Embassy who have placed a Term Deposit of over $1 million with First American. We are also trying to obtain for them the account of Saar Foundation who opened an account in BCCI London with $815,000 in addition to the $1.6 million they already have on deposit with BCCI Los Angeles.

We also jointly visited 14 embassies in Washington with First American in an effort to obtain PL 480 business for them. The opening of L/Cs under PL 480 can only be handled by U.S. banks and our attempt was to pick up this lucrative business for First American Bank. Bangladesh business is already being routed through them because of this office and we feel that the outcome of our visits last month will be highly successful. A separate detailed report on this visit has already been submitted by Mr. Razaur Rahman of Central Marketing Division.

5. EMBASSIES

A program of calls on Embassies in Washington was initiated last year and we are continuing to meet with Ambassadors and Economic Councellors. As we have pointed out in the past, Ambassadors to the U.S. are usually persons of stature and importance in their own countries. Our attempt is to build up goodwill with the representatives of at least those countries where BCC operates, and feel that we have achieved satisfactory results in this regard.

In addition to the foregoing, it is our constant endeavour to establish relationships with all those persons and organizations who have a potential importance to us, and wherever possible to open accounts at BCC branches. It may be worth mentioning that we have placed over $13 million in different U.K. branches for a single customer from Panama who is known to C.S.O. We anticipate at least $5 million more in this account by the end of the year.

An exercise has been undertaken to prepare comprehensive lists of customers who would be interested in sending home remittances, and the first such list has been provided to New York office. We plan on expanding and updating those lists on a regular basis.

All protocol requests from other regions are handled by us and we have provided services to important customers, Central Bank and Government Officials and heads of international organizations.

Sani Ahmad
July 5, 1985

MEMORANDUM

TO: Files
FROM: Jack A. Blum JAB
DATE: September 24, 1988
SUBJECT: Memcon with Amjad Awan

WARNING: THE CONTENTS OF THIS MEMO ARE COMMITTEE SENSITIVE. DISCLOSURE OF THE CONTENTS OR THE FACT OF MR. AWAN'S COOPERATION WITH THE COMMITTEE COULD ENDANGER HIS LIFE.

Awan was born in Pakistan on July 30, 1947. He left Pakistan and travelled to Britain as a political refugee. His wife was born in the U.K. and that made Mr. Awan eligible for a British passport and British citizenship.

Awan's first banking job was with Mr. Abadi when he was the head of the United Bank, a bank that Abadi set up before the nationalization of the Pakistani banking system. Awan left United Bank and was working at the International Resources and Finance Bank, a Luxembourg subsidiary of the Bank of Montreal, when Abadi recruited him to come to BCCI.

Awan's first assignment with BCCI was as the marketing manager in London, a job which he took on December 7, 1978. His job was ruunning the main branch of BCCI in London. Awan explained why the bank grew rapidly in London. He said that at the time it started there were a large number of Ugandan refugees in London who were being treated badly by the major British banks. They did not want to continue dealing with them and found BCCI a comfortable alternative. BCCI became known as "the immigrant's bank", and the fact that it was owned by key figures in the Middle East and run by Pakistanis and other third world nationals was appealing.

Awan held the London job for three years. During that time, Mr. Shaik, his immediate superior, introduced him to Noriega at a dinner party Shaik gave for Noriega in London. Noriega introduced Shaik to President Royo and when Royo came to London, Awan was given the job of escorting him around the city. Shaik had been introduced to Noriega by his friend, the Panamanian Ambassador to London. Mr. Shaik used his relationship with Noriega to get BCCI the license to operate in Panama.

At the end of the Awan's three year term in London, he wanted to take over a branch operation. He was offered a newly opened African branch but opted instead to take over the Branch operation in Panama.

He moved to Panama in 1981. The branch there had been in operation for one year. When he arrived, there was a single office in Panama City and the deposit base of the bank was about $40 million. Most of the depositors had medium-sized accounts ranging from $50,000 to $200,000. The depositors were Lebanese and Palestinian merchants living in Panama. Later, a significant part of the Jewish community in Panama came to the bank. Awan said that many of them had come from Syria to Panama and spoke Arabic.

The bank was almost entirely deposit focused. There was little lending authority at the branch level. Awan, as the branch manager could not make a loan of over $50,000 without approval from London. Deposits were another

matter. The bank paid the depositors the market rate on their money and Awan sent the money to the Bank's central treasury operation in London where he was credited with an automatic 1% spread.

When Awan arrived in Panama he made a conscious effort to cultivate both President Royo and Noriega. He said that he was particularly interested in getting some of the banking business of the Panamanian Defense Forces. Although Noriega referred some business to him, it was marginal and the efforts to get serious business did not bear fruit until 1982 when Noriega opened an account.

Awan first came to know Enrique Pretelt through the Christmas gifts the bank purchased from him for its significant customers. Pretelt owned the highest class gift and jewelry shop in Panama City. Besides the store in Panama City, he had two shops at the airport and had the concessions for Cartier and other famous lines of crystal and jewelry.

Although Awan pressed him for account business, Pretelt did not come to the bank until the bank opened an operation in the Colon free zone. Pretelt asked the bank for a $100-$150,000 line of credit on his name alone which Awan granted. He said that although it was well known that Pretelt was a "wheeler-dealer" the account was satisfactory to the bank.

Awan described the free zone as the smuggling center for all of Latin America and the Caribbean. Electronics, watches, perfume and other luxury goods were imported there and then picked up by the families which controlled the smuggling in the important centers of the region. All the sales to smugglers were for cash and the importers and wholesalers generated a significant demand for letters of credit.

Bilonick came to the bank once before the Inair bust to try to get a $1 million line of credit. He offered no security for the proposed loan and when Awan asked him about how he intended to repay the amount he pointed to his gold Rolex. Awan said he threw him out of the bank.

Later, Bilonick came into the bank, and through one of Awan's assistants opened an account with a large cash deposit. He then borrowed the maximum he could against the deposit and left the bank. When the principal and interest on the loan reached the amount of the deposit, the bank wiped out the deposit and closed its books on him. Awan says he later learned that Bilonick had disappeared because of his role in the Inair affair.

Asked why anyone would want to borrow against their just-made cash deposit, Awan explained that that was one of the most common transactions in Panama. The account would be opened in the name of a corporation and the borrowing would be by the signatory on the account. Although the bank related the two transactions and indeed used the deposit by the corporation as collateral, all records of the connection between the two disappeared when the account was closed out as collateral for the loan.

Awan did not meet Cesar Rodriguez until 1983, when he was introduced to him by Enrique Pretelt. Pretelt said that Rodriguez was a "business associate" but never described the business they were in. The first request was that the bank finance a fleet of limousines for Pretelt who wanted to start a limousine business in Panama. The bank went forward with that project and

Rodriguez asked the bank to finance the construction of a "bankers club" on the top floor of the Bank of Boston building in Panama City.

Awan thought the idea was a good one and extended the line of credit. He also financed a number of theatrical events for Rodriguez who, as an impresario, brought performers into the country. Finally, Rodriguez came to the bank to find financing for his bid on a $50-$60 million hydroelectric project. He was certain that his group would get the contract and that a Polish consortium would be hired to do the construction.

The Polish group never got the contract and the Bank was left with about $3 million in outstanding loans when Rodriguez's plane crashed in Colombia. Awan says that after the crash the staff of the bank came to him and told him that Rodriguez was a gun runner, had a bad reputation and had been involved in the Inair deal. When he went to Pretelt to complain, Pretelt said that they were no longer business partners and that he, Pretelt, could do nothing to help the bank recover the money.

Awan met Mike Harari at one of Noriega's parties. The word in Panama was that Harari was the Mossad chief for the region. He was believed to have been assigned to Panama after messing up an assassination effort aimed at the Black Septemberist involved in the Munich Olympics massacre. Instead of killing the terrorist, he killed an innocent waiter in Lillehammer, Norway, causing a significant scandal.

Harari was known to be involved in the arms trade, but all of the involvement was assumed to be official. There were a large number of Israelis throughout the region all engaged in arms sales and the all dealt with Harari.

Awan became involved in the sale of Contadora island when he was asked to meet with President Del Valle in New York after he had been transferred from Panama to the United States. Del Valle said that he was sent by Noriega who wanted him to help find a buyer for Contadora Island. Noriega had made the decision to sell the Island and he knew that Awan knew Gaith Pharon, a wealthy Saudi who was a shareholder in the bank at that time. Pharon had an interest in Club Med and the Hyatt hotel chain. Noriega thought Pharon would be interested in bidding.

Pharon took a close look at the deal and decided to make a relatively low bid. Awan said that the problems with the proposal were that Contadora lacked sufficient water, the hotel was run down and at least $5 million would have to be invested to bring it up to first class standards, there was very limited air service to the island from Panama and the owner would have to run his own air taxi service.

Awan said that Aoki was a friend of Noriega and that he bought the island at a price that was too high, not one that was too low.

Awan said that BCCI stayed out of the arms trade. He said that the bank did not finance weapons deals and that the only proposal he saw regarding a weapons deal was from Iranians who were trying to buy weapons in Europe and wanted to finance them in Panama.

As Awan described it, cash came into Panama from all over the world and all the banks that need cash tapped the Panamanian market. He said that

BCCI stayed out of the cash handling business because it was too expensive. He said that an employee of the bank had been approached by Brinks, which ran the only armored car business in Panama, and was told that for a commission paid to Brinks, the bank could get cash deposits referred to it.

Awan said that the National Bank of Panama charged a 1% cash handling fee and the people at the National Bank always short counted the money sent there by several hundred dollars. Given the low return that Awan could get on deposits by sending them to London, it made no sense for him to pay commission to get the cash.

The bank did not use armored cars to handle the transfer of excess cash. Awan carried the cash himself in the trunk of his car and did not worry about being robbed. He said that Panama at the time was quite safe.

Awan said that the cash business that the bank did was in connection with the Colon branch, where the cash was handled as an accommodation for their customers. These customers were the wholesalers and importers who were selling to smugglers who paid in cash. When asked about the Cuban business in the Colon zone, Awan said that he knew that there was a Cuban corporation in operation there and that the bank had one customer who did a substantial business selling hotel equipment made in the United States to the Cubans. He said he was unaware of the use of Colon as a place to move high tech equipment to Cuba around the U.S. embargo.

Certain banks paid higher than market rates for deposits and seemed far more interested in the cash deposits. These included the Swiss, Colombian and large American banks. The Swiss established regular flights from Panama to Switzerland to carry accumulated currency out of the country so that it would not have to be turned over to the National Bank of Panama.

The questioning returned to the account General Noriega opened with the bank. Awan said that he had been asking Noriega for business regularly when one day Noriega called the bank and said that he wanted to open an account. He told Awan that the account would be the secret funds of the Panamanian Defense Forces and that he, Noriega, would deposit the money and then call Awan to tell him how to disburse it. No Panamanian was to see the account, it was not to be booked in Panama and Noriega did not want any paper kept on it.

Awan said that he had to explain to Noriega that an account could not be opened without some paper and that there had to be an owner of the account who had the authority to make withdrawals. Awan drew up appropriate papers and brought them to Noriega. The papers put the account in Noriega's name.

The first deposit in the account was mostly cash in an amount around $200,000. There were some small checks in the deposit. Later, the deposits were in the form of both cash and checks with most of the checks coming from the Panamanian Defense Forces accounts and made payable to the bank.

Cash payments were frequently made out of the account. Noriega would call Awan and tell him that someone would be coming to the bank to ask for a cash payment. The person would then show Awan a note signed by Noriega and Awan would then pay the money out. Most of the people who came for

these payments were politicans and the first use of the fund was to buy political figures in connection with the 1984 Presidential election.

As Awan recalled it, the largest amount of cash to be deposited to the account was $900,000 and the balances in the account never topped $25 million.

In 1983, the bank issued its Visa card to General Noriega, his wife and his daughters. Payments on the Visa cards were made from the interest that the amounts on deposit generated and the balances were automatically debited to the account. Awan would also use the account to pay travel expenses for the General and members of his party. He would accompany the General on his trips and make sure that there was cash available as needed.

On one occasion the account was used to offset a loan on an apartment in Paris. The total amount of the loan was $400,000 which meant that the principal amount was somewhat lower. The loan was paid off from the interest the account generated.

Awan left Panama in 1984. He had reached the usual end of tour for a manger and had the additional problem of having allowed the branch to become involved in a multimillion dollar fraud involving fraudulent treasury checks. The fraud scheme started with a reputable Panamanian law firm opening an account in the name of a front corporation. The bank dealt with the law firm because they were reputable and had given the bank good business in the past. The beneficial owners of the account, BCCI was told, were Hong Kong Chinese. The lawyers deposited several million dollars worth of Treasury checks. BCCI refuse to credit them until they had cleared and sent them to the Bank of New York for collection.

When the Bank of New York notified BCCI that the checks had cleared BCCI released the funds which were immediately transferred. Almost the day the funds moved, BCCI was visited by Treasury investigators who said that the checks were fraudulent and that the credit was being reversed. Although some money was recovered the bank lost substantial sums. When that loss was combined with the loss on the Cesar Rodriguez loans Awan did not look too good.

When he was told that he was being transferred to Washington to work in the representative office of the bank, Noriega called Abadi and told him that he wanted Awan to stay in Panama. Abadi said that that could not be done but that Noriega could continue to deal with Awan as his personal banker. In that role, Awan traveled to Panama once every few months, consulted with Noriega on the phone and accompanied him on his visits to the United States. Awan says that his main function was to present Noriega with a statement of his account, showing him what bills were paid and how much cash had been delivered according to his instructions.

In July 1987, Awan was sent to Florida where he became the marketing manager for the Latin American and Caribbean. He was based in the Miami agency. The function of the bank's agency offices is to take deposits from non-resident foreigners. The money is almost exclusively flight capital.

The nominal boss of the Miami operation was Mr. Shafi. He is old and has the job because of his long standing relationship with Abadi. He had little understanding of what was going on and holds his position as a

figurehead. Patrick Lynch was the man in charge of the three Florida offices. Mr. Jindani handled administration and personnel management, Marvin Hancock ran the credit division, and Mr. Hassan was Awan's predecessor as the head of the marketing department.

I asked Mr. Awan if he had ever been approached to launder drug money. He said that the bank had a conscious policy of avoiding drug money and that he was aware of only one situation where that sort of money had been offered as part of a government sting operation. The bank told the people involved that they would fill out the currency form on the deposit and the conversation ended.

UNITED STATES OF AMERICA

Congress of the United States

To Bank of Credit and Commerce International Overseas Limited
1200 Brickell Avenue
Miami, Florida, Greeting:

Pursuant to lawful authority, YOU ARE HEREBY COMMANDED to appear before the _____ Committee on Foreign Relations of the Senate of the United States, on August 11, 1988, at Nine o'clock a.m., at their committee room 216 Hart Senate Office Building, then and there to testify what you may know relative to the subject matters under consideration by said committee.
and bring with you the documents described in Attachment A.

Hereof fail not, as you will answer your default under the pains and penalties in such cases made and provided.

To the United States Marshals Service or any other authorized person to serve and return.

Given under my hand, by order of the committee, this 27th day of July, in the year of our Lord one thousand nine hundred and eighty-eight

Chairman, Committee on Foreign Relations

Attachment A

All books, records and papers, relating, referring or embodying the following:

1. The management of assets for Manuel Antonio Noriega.

2. The holding of assets as custodian for Manuel Antonio Noriega.

3. Corporations, partnerships and other business entities under the direction and control of Manuel Antonio Noriega.

4. The managment of assets for Michael Harari.

5. The holding of assets for Michael Harari.

6. Corporations, partnerships and other business entities under the direction and control of Michael Harari.

7. The management of assets for private clients in Colombia.

8. The holding of assets as custodian for private clients in Colombia.

9. All Panamanian clients for whom the Bank manages assets.

10. All Colombian clients for whom the Bank manages assets.

11. All trusts which have Panamanian beneficiaries.

12. All trusts which have Colombian beneficiaries.

For the period January 1, 1985 to June 1, 1988:

a. All books, records and papers relating, referring to, or embodying travel and telephone and telephone communication by Kalid A. Awan and S. M. Shafi.

b. All books, records, and papers referring, relating to or embodying the compensation of Kalid A. Awan and S.M. Shafi.

c. All reports describing, summarizing, and discussing the Bank's trust and money management operations.

For the purpose of this subpoena a "record" includes all media capable of storing information which can be read, and includes all information stored electronically--whether on computer disk or otherwise.

UNITED STATES OF AMERICA

Congress of the United States

To S.M. Shafi

c/o Bank of Credit and Commerce International Overseas, Limited

1200 Brickell Ave., Miami, FL, Greeting:

Pursuant to lawful authority, YOU ARE HEREBY COMMANDED to appear before the ____ Committee on Foreign Relations of the Senate of the United States, on August 11, 1988, at Nine o'clock a.m., at their committee room 216 Hart Senate Office Building, then and there to testify what you may know relative to the subject matters under consideration by said committee.

and bring with you the documents described in Attachment A.

Hereof fail not, as you will answer your default under the pains and penalties in such cases made and provided.

To the United States Marshals Service or any other authorized person to serve and return.

Given under my hand, by order of the committee, this 27th day of July, in the year of our Lord one thousand nine hundred and eighty-eight

Chairman, Committee on Foreign Relations

Attachment A

For the period January 1, 1984 to June 31, 1988, all books, records and papers relating, referring to or embodying:

1. Business travel.

2. Client accounts.

3. Employer compensation.

4. Telephone expenses.

5. Expense records submitted to your employer for reimbursement.

For the purpose of this subpoena a "record" includes all media capable of storing information which can be read, and includes all information stored electronically--whether on computer disk or otherwise.

CABLE CLIFFORD
TELEX 248556 CLIFF

TELEPHONE
202 [illegible]

Clifford & Warnke
Attorneys and Counsellors at Law
815 Connecticut Avenue
Washington, D.C. 20006

ROBERT A. ALTMAN

DIRECT LINE (202) [illegible]

September 14, 1988

Jack A. Blum, Esquire
Special Counsel
Committee on Foreign Relations
United States Senate
Washington, D.C. 20510

Dear Mr. Blum:

Enclosed herewith are the documents being produced pursuant to our understanding concerning the subpoenas issued to the Florida offices of Bank of Credit and Commerce International (Overseas), Limited ("BCCI") and to Mr. S.M. Shafi and Mr. Amjad Awan. Certain of the documents being made available for your review are confidential and must be protected from public disclosure by adequate safeguards to be mutually agreed upon.

You are advised that in making the production of these documents neither BCCI nor the individuals referenced above waive any rights or privileges relating thereto, all of which are expressly reserved.

It is understood that you will today review these documents in our presence and we shall then agree upon the manner in which they are to be reproduced and delivered to the custody of the Committee.

Sincerely,

Robert A. Altman

CABLE CLINCY
TELEX 248558 CLEY

TELEPHONE
(202) 828-4200

Clifford & Warnke
Attorneys and Counsellors at Law
815 Connecticut Avenue
Washington, D.C. 20006

September 19, 1988

BY HAND

Jack A. Blum, Esquire
Special Counsel
Committee on Foreign Relations
United States Senate
446 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Blum:

As discussed during the meeting on September 14, 1988 that Messrs. Altman, Sanders and I attended at your office, and as I later mentioned to Kathleen Smith in a telephone conversation, we are forwarding herewith copies of the documents earlier produced under various specifications of the subpoenas issued to the Florida offices of Bank of Credit and Commerce International (Overseas), Limited ("BCCI") and to Mr. S.M. Shafi. As you are aware, we are to schedule within the next several days a more extended period of time during which you can review the records from BCCI's Agency Offices in Miami, Boca Raton and Tampa. We have requested of the Bank that it provide us with computer print-outs of the same type of information for additional periods which you reviewed when we were at your office. Those print-outs should be here this week, and we understand you will examine this material together with that which you have already seen at a date to be agreed upon.

Specifically, the copies being forwarded today include:

(1) The compliance circular from the Caribbean regional office of BCCI and portions of the minutes of a Management Committee meeting of BCCI, both of which you reviewed on September 14, 1988.

(2) Various documents relating to Mr. S.M. Shafi including business expense records and travel diaries. You may again decide to examine Mr. Shafi's office telephone bills, residence telephone bills and car telephone bills at a subsequent date to determine whether they should be photocopied.

(3) A document styled, "Statement of Affairs" for BCCI Panama for the period ending June 30, 1988.

It is our understanding that having reviewed Mr. Shafi's records of compensation, you do not need copies of those materials. Further, the documents to be produced by Mr. Amjad Awan are due on or before September 22, 1988. We were called on Friday, September 16, by John Grabow of Ginsburg, Feldman and Bress, who has been retained by Mr. Awan. We shall await a meeting with him before proceeding on any documents that relate to Mr. Awan because we do not know whether Mr. Grabow intends interposing any objections to the Subcommittee's subpoena.

Finally, we must reiterate the points raised with you during our meeting and in Mr. Altman's letter of September 14 regarding the confidentiality of this material. It is our understanding that the materials which are being provided herewith shall be accorded confidential treatment by you and your staff. Before we can provide additional confidential information to be retained by the Committee, we will require written assurance that acceptable confidential treatment has been approved by the Committee and will be provided.

We will be in touch again by telephone regarding the other scheduling matters yet to be worked out.

Sincerely,

John F. Kovin

Enclosures

CABLE CLIFF
TELEX 248556 CLIF

TELEPHONE
202 828 4200

Clifford & Warnke
Attorneys and Counsellors at Law
815 Connecticut Avenue
Washington, D. C. 20006

September 29, 1988

BY HAND

Jack A. Blum, Esquire
Special Counsel
Committee on Foreign Relations
United States Senate
446 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Blum:

Pursuant to your request, we are enclosing copies of certain travel expense records relating to Mr. Amjad Awan. These are business records that were earlier compiled by Mr. Awan at our request and are being produced pursuant to subpoena.

We have discussed with you our need to have an acceptable confidentiality agreement covering all confidential records being produced. In forwarding to you these documents, we do not in any way waive or limit that request.

Sincerely,

Robert A. Altman

Enclosures



AFFIDAVIT OF AMJAD AWAN

Amjad Awan, being duly sworn, depose and state as follows:

1. I was formerly employed by the Bank of Credit and Commerce International (hereinafter "BCCI") from ~~1976~~ 1978 to January, 1990. I was an International Officer of BCCI.

2. I was arrested on October 8, 1988, and was convicted of laundering narcotics proceeds on July 29, 1990. I am presently serving a 144 month sentence for this offense.

3. In late 1980 or early 1981, I was assigned to BCCI, Panama City, Panama, as the Country Manager.

4. In 1982, I opened an account for then Colonel Manuel Antonio Noriega, Panama Defense Forces at BCCI Panama and later BCCI London. The account was to be kept secret. I was given a Power of Attorney by Noriega on the account.

5. In 1982, I opened accounts at BCCI London for Mrs. Noriega and Noriega's daughters in various Panamanian corporate and personal names. I was given Power of Attorney on all these Noriega-related accounts and was a signator on the Noriega-related corporate accounts, except one, Lorsantra.

6. Thereafter, the Noriega's deposited approximately $20 to 25 million into their BCCI accounts. The majority of the deposits were in the form of U.S. currency. The largest currency deposit was approximately $4 million.

7. In 1984, I was transferred to BCCI's representative office in Washington, D.C.

8. In 1987, I was transferred to BCCI, Miami, Florida, as an International Officer in the Latin American Caribbean Region.

9. In early February of 1988, I became aware then that General Manuel Antonio Noriega had been indicted in the United States for narcotics-related offenses.

10. Shortly thereafter, I became aware of General Manuel Antonio Noriega's desire to move the Noriega-related bank accounts from BCCI London to another location.

11. After I became aware of Noriega's desire, I met with S.M. Shafi and Bande Hassan, the persons in charge of BCCI's Latin American Caribbean Regional Office in Miami, Florida. They directed me to contact Swaleh Naqvi, then acting President of BCCI in London, England, concerning this matter.

12. Pursuant to their instructions, I telephonically contacted Naqvi and he instructed me to travel to London, England, to discuss Noriega's request.

13. Thereafter, I did travel to London, England, via a commercial airline.

14. While in London, England, I met with Naqvi and Dildar Rizvi. Rizvi was then the nominal second-in-command of BCCI's operations in the Americas. In truth and in fact, Rizvi headed BCCI's operations in the Americas.

15. During this meeting, Naqvi and Rizvi instructed me to convince Noriega to permit BCCI to maintain the Noriega-related accounts with BCCI Luxembourg, where they could be

maintained in the utmost secrecy. These arrangements were structured to conceal and disguise these accounts from detection by United States and United Kingdom law enforcement authorities.

Naqvi did not want Noriega's money moved from BCCI, because Noriega had guaranteed a loan of Cesar Rodriguez, a reputed drug dealer who was murdered in Colombia. The outstanding balance was in excess of $10 million.

16. Pursuant to these instructions, I contacted Noriega and obtained his approval to effect the transfer of the funds then in the Noriega-related accounts from BCCI London, to BCCI Luxembourg, thereby further secreting these accounts from law enforcement officials.

17. I then informed Swaleh Naqvi and Dildar Rizvi of Noriega's approval and pursuant to their instructions personally effected the transfer of the Noriega-related accounts from BCCI London, to BCCI Luxembourg in February of 1988.

18. I thereafter returned to London, England, from Luxembourg, informed Dildar Rizvi and Swaleh Naqvi that the Noriega-related accounts had in fact been transferred and subsequently returned to the United States via a commercial carrier.

19. On or about July 30, 1988, I travelled from Miami, Florida, to London, England, via a commercial carrier.

20. Upon my arrival in London, England, I met with Swaleh Naqvi, Dildar Rizvi, S.M. Shafi ~~and Bande Hassan~~ and discussed with them the issuance of United States Senate

subpoenas for BCCI, S.M. Shafi and myself. These subpoenas related to BCCI's relationship with Noriega.

21. On or about August 1, 1988, I received a telephone call from Noriega. He requested that I transfer the funds in the Noriega-related accounts from BCCI to Banco ~~De National~~ Nacional de Panama for a short period and then to a European based financial institution in order to avoid detection by United States based authorities.

22. I thereafter related Noriega's request to Swaleh Naqvi and Dildar Rizvi.

They agreed to allow Noriega's-related accounts to be transferred from BCCI. Naqvi said BCCI would forgive the $10 million Cesar Rodriguez guarantee. Swaleh Naqvi directed me to travel to Panama and get Noriega's instructions in writing. I was told to travel there without going through the United States. Naqvi said to bill the airfare to Swaleh Naqvi or Dildar Rizvi so there would not be a record of the travel in BCCI ~~=~~ Lacro's records.

23. In August of 1988, I met in London with Akbar Bilgrami, a BCCI International Officer, and Mr. S.Z.A. Akbar, the former Treasurer of BCCI. At the time of this meeting, Mr. S.Z.A. Akbar was the primary manager and owner of Capcom Financial Services, Ltd., (hereinafter "Capcom") a financial services and trading company based in London, England. At this meeting, I and Akbar Bilgrami suggested to Mr. Akbar that ~~we use Capcom to launder narcotics proceeds for Robert Musella~~ we would refer Mr. Robert Musella, one of the BCCI's clients, and Mr. Akbar could assess whether he wanted to do business with him or not.

24. Mr. S.Z.A. Akbar agreed to meet with Mr. Mussella ~~to work out a mechanism for the laundering of drug monies~~. Subsequently, Akbar, through Capcom, laundered $25,000 in drug proceeds for Mr. Mussella on behalf of one of Mussella's Colombian drug clients.

25. During this same time period, I met with S.Z.A. Akbar at Capcom in London, England. We discussed Noriega's desire to have his funds moved from BCCI and placed with Capcom. S.Z.A. Akbar knew of Noriega's indictment in the United States. ~~We discussed Noriega(s) indictment in the United States~~, and we discussed Noriega's fear that United States authorities would seize the funds. S.Z.A. Akbar agreed to receive approximately $23 million in Noriega funds. Akbar gave me a list of Capcom-related accounts. We decided to have the funds initially sent to Findley's account at the Middle East Bank, London, England. Findley's account was a Capcom controlled account.

26. In August of 1988, I travelled to Panama, through Spain, via a commercial airline.

27. Thereafter, I met with General Manuel Antonio Noriega and Mrs. Noriega in Panama. They gave me letters authorizing the movement of their funds from BCCI to Banco Nacional de Panama accounts in Germany and Switzerland. I told them to leave the funds with Banco Nacional de Panama for one month and then transfer the funds to Findley's account at the Middle East Bank, London, England. I gave them the business card of S.Z.A. Akbar, Capcom, London, England, and told them to

call him about their desires for placements and movements of the funds.

28. In August of 1988, I travelled to London, England, from Panama, via a route not through the United States on a commercial aircraft.

29. Thereafter, I met with Swaleh Naqvi and Dildar Rizvi and informed them that Noriega had given written instructions to move the Noriega funds from BCCI Luxembourg.

30. On August 13, 1989, I travelled to the United States, via a commercial carrier.

AMJAD AWAN

Sworn to and subscribed before me
this 26th day of August, 1991.

NOTARY PUBLIC

DEANNA L. MANOR
NOTARY PUBLIC - WASHTENAW COUNTY, MICH.
MY COMMISSION EXPIRES 5-7-94

Mr. AWAN. Thank you, Senator.

Senator KERRY. Thank you very much for being here. Before I adjourn this hearing, I would like to insert additional BCCI-related documents into the record.

[The information referred to follows:]

RALPH G. DELL
RODERICK K. SHAW, JR.
STEWART C. SIBBERT
GARY M. WITTERS
JOSEPH G. HEYCK, JR.
MICHAEL N. BROWN
LYNN HAMILTON COLE
WALLACE E. ANDERSON, JR.
MARIAN P. McCULLOCH
ROBERT A. MORA
BENJAMIN G. MORRIS
A. CHRISTOPHER KASTEN, II
RICHARD A. HARRISON

ALLEN, DELL, FRANK & TRINKLE
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LEROY ALLEN (1908-1979)
L. ROBERT FRANK (1924-1988)
JOHN R. TRINKLE, JR. (1926-1991)

AUTOMATIC TELECOPIER
(813) 229-6652

July 27, 1992

VIA FACSIMILE AND REGULAR MAIL

David McKean, Esq.
c/o Senator John F. Kerry
421 Russell Building
Washington, DC 20510

Re: Kerry Fox Subpoena

Dear Mr. McKean:

Pursuant to our telephone conversation on Friday, July 24, 1992, you advised me, as counsel to Mr. Kerry Fox, that the Terrorism, Narcotics and International Operations Subcommittee of the Senate Foreign Relations Committee has scheduled a hearing on July 30, 1992. You requested that I indicate my understanding that a subpoena requiring Mr. Fox's appearance on July 30 would be reissued.

As you are aware, the activities of Mr. Fox and others that are of interest to the Subcommittee are also under review by the United States Attorney for the District of Colorado. The United States Attorney has indicated a willingness to consider granting statutory immunity to Mr. Fox, and we are awaiting a final decision on that matter. We hope to have that matter clarified in the next several weeks, perhaps sooner.

Prior to reissuing your subpoena to Mr. Fox, please again be advised that until such time as we have a final decision from the United States Attorney, Mr. Fox is left with no other recourse but to assert his Fifth Amendment privilege against self-incrimination in response to any questions that may be asked of him by the Subcommittee or its staff. Mr. Fox would willingly answer all questions now but for the fact that the United States Attorney apparently believes there is a basis for granting him immunity. We have offered in the past and continue to offer our full cooperation to the Subcommittee once the immunity decision has been made in Colorado. We will notify you of any change in Mr. Fox's status.

On a professional basis, I appreciate your communication in this regard, since I am unavailable for travel on July 30 because I am expected in a major court hearing in Clearwater, Florida, at 9:00 a.m.

Sincerely,

Lynn H. Cole

LHC/mav

FARELLA, BRAUN & MARTEL
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FACSIMILE
954-4480 954-4481

DANIEL H. BOOKIN
DIRECT DIAL NUMBER
954-4421

July 28, 1992

VIA FEDERAL EXPRESS

David McKean, Esq.
Office of U.S. Senator
John F. Kerry
421 Russell Building
Washington, D.C. 20510

Re: Roy P.M. Carlson

Dear Mr. McKean:

I have reviewed the documents assembled by Mr. Carlson in response to your subpoena, dated July 1, 1992. While the documents do not appear to contain any information in which your committee would be interested, I am directing Mr. Carlson to decline to produce documents requested by your subpoena, based on his Fifth Amendment privilege. In reaching my decision, I have considered the extremely broad nature of your subpoena; the broad, nebulous and politically-charged nature of the various state and federal investigations regarding BCCI; and my inability at this time to obtain the information I need to evaluate fully this matter. Accordingly, Mr. Carlson respectfully declines to produce documents requested by your subpoena, based on his Fifth Amendment privilege.

I appreciate your courtesy in this matter. Please contact me if Mr. Carlson or I can be of any further assistance.

Very truly yours,

Daniel H. Bookin

DHB/lhk
07090\92072801

** TOTAL PAGE.002 **

DISTRICT ATTORNEY
OF THE
COUNTY OF NEW YORK
ONE HOGAN PLACE
NEW YORK, N.Y. 10013
(212) 335-9000

ROBERT M. MORGENTHAU
DISTRICT ATTORNEY

FAX 202 224-8525

July 29, 1992

Honorable John Kerry
Russell Senate Office Building
Washington, D. C.

Dear Senator:

Your staff has raised with Assistants in my office the question of whether there has been cooperation between persons in Abu Dhabi and my office in the investigation we are conducting into the Bank of Credit and Commerce International.

We have received statements from Abu Dhabi attorneys since November, 1990 that they would be willing to cooperate. At this writing, no documents or witnesses have been provided by the government of Abu Dhabi for our ongoing investigation into allegations of wrongdoing associated with BCCI and First American.

Sincerely,

Robert M. Morgenthau

JUL 29 '92 15:34 FROM NY DISTRICT ATTORNEY PAGE.002

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT
Draft: 3/19/91

Key Persons and Entities: BCCI[1/]

Geoffrey Abbott	Manager, Los Angeles Agency
Agha Hasan Abedi	founder and CEO until heart attack in 1988; had 2 of 5 board members (LaMarche and Twitchen) on his payroll; bought and sold through a front (often Al-Tran);
V.H. Abidi	U.K. Regional General manager after July 1980(?)
Mohammed Abrouzh	heads ADIA (Abu Dhabi Investment Authority)
Sheikh Kamal Adham	former head of Saudi intelligence; introduced to the Fed in 1981 as one of four new owners of First American's holding company; admits to borrowing from BCCI to finance his purchase of CCAH shares
Afredi	referenced as head of Spanish operations
Aijaz Afridi	former BCCI employee who became executive vice president of First American/NY on Abedi's recommendation
Imtiaz Ahmed	Head of Central Credit Division in London
Nehal Ahmed	BCCI employee who helped search for Noriega documents in response to 7/27/88 Senate subpoena
Victor M. Aldana	Panamanian Secretary General for Drug Related Crimes, to whom Peter George has turned over documents
Laila Alizai	formerly with BCCI/NYC involved in 330 Madison loan; has since returned to Pakistan; Moscow expressed interest in interviewing her
Louis C. Altemar	[illegible] against him; alleges improper relationship with BCCI/Miami and BCCI/Boca Raton
Al-Tran	front for Abedi and Naqvi in transactions re NBG

1/ Attorneys for BCCI are listed separately at the end of this document.

N 003535

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT
Draft: 3/19/91

Tariq Jan	former manager of BCCI/Boca Raton; now with BCCI/Hong Kong; subject of investigation (Baldwin thinks he's been taken off list of potential indictees); Rivero has subpoenaed his employment records; helped search for documents in response to 7/27/88 Senate subpoena
K.G.S. Jhala	with BCCI/NYC, involved in 330 Madison loan; formerly with BCCI/Miami, involved in letters of credit issued to General Coffee, resulting in a $5 mil loss for BCCI
Sheikh Kalifa	crown prince, son of Sheikh Zaied
Sen. Kerry	head of subcmte investigating BCCI, apparently working closely with Moscow; learned that BCCI paying expenses of Senate employee to travel over and advise BCCI on how to handle Senate investigation
Hamid Khan	former head of BCCI/Miami Letter of Credit dept and "advisor" to Bilbeisi, no longer employed by BCCI; likely to be indicted; deposed in Lloyd's suit
Nasrullah Khan	Manager, Hyde Park, as of 1/31/89
Paul Khanna	Fed examiner in NYC, met with Pezzuti
Judith Korchin	Miami attorney
Labaro S.A.	shell corporation for Calderon et al.
LACRO	BCCI Latin American and Carribean Regional Office, based in Miami; Sakhia was head
Yves LaMarche	one of two Board members reportedly on Abedi's payroll; up on criminal charges in France for currency exchange violations and for bribing an official to drop the charges
Bert Lance	former Carter appointee; sold NBG to Pharoan
W.S. Leslie	Asst. Mgr., Corporate Unit (Leadenhall) as of 12/12/88; gathered Noriega account documents together on 2/12/88 for transfer to Luxembourg
Lino Linares	former BCCI/Miami operations manager, laid off when agency closed; named in Cherrington sexual harrassment suit

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JAMES W. NANCE, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, DC 20510-6225

by facsimile: 457- 6515

July 24, 1992

Mr. Sandy Martin
Patton, Boggs and Blow
2550 M Street, N.W.
Washington D.C. 20037

Dear Mr. Martin:

I recently spoke to Mr. Caffey Norman of your firm concerning a memorandum written by a former associate, Ms. Lisa Batty. The memorandum, entitled "Key Persons and Entities: BCCI" was created in the spring of 1991 and was revised several times.

The memorandum makes reference to Senator Kerry and the Subcommittee investigation of BCCI, stating the following:

> "learned that BCCI paying expenses of Senate employee to travel over and advise BCCI on how to handle Senate investigation."

According to Mr. Norman, the source of the information was Ray Banoun, who at that time also represented BCCI in certain matters. Mr. Norman told me that he and you were in a meeting with Mr. Banoun during which time Mr. Banoun made the allegation concerning the "Senate employee." Mr. Norman has further indicated that Patton, Boggs and Blow was able to ascertain the source of the information for Ms. Batty's memorandum because you kept notes of the meeting with Mr. Banoun. Ms. Batty, with whom we have also spoken, has told the Subcommitee that she is certain that her information was based either on something she had read or been told.

On July 13, I wrote to Mr. Norman and noted that Mr. Scott Stone, also of your firm, had indicated to me in a prior telephone conversation that "the documents on which the memoranda were based have already been produced to the liquidators," but the Subcommittee had "received nothing in response to the May 23, 1991 subpoena to BCCI that would provide a documentary basis for the reference to Senator Kerry." Additionally, I asked that Patton, Boggs and Blow "make available any documents produced ...on or before July 5, 1991 that discuss Senator Kerry, the Subcommittee investigation, or any member or staff of the U.S. Senate in connection with BCCI."

On July 15 Mr. Norman wrote to to inform me, among other things, that:

> "What Scott Stone actually said was that he had not at that time been able to determine the basis for the reference to Senator Kerry, but that if it derived from a work product memorandum prepared for BCCI, such a memorandum would have been produced to the liquidators."

As far as we know, your notes concerning your meeting with Mr. Banoun and the reference to the Senate investigation were not produced to the liquidators. The Subcommittee again requests that you and your firm make available to it all documents, including notes, that discuss Senator Kerry, the Subcommittee investigation, or any member or staff of the U.S. Senate in connection with BCCI.

Please make these documents available to the Subcommittee no later than 5:00 P.M., July 28, 1992. Should you have any questions please do not hesitate to call either myself or Jonathan Winer. Thank you for your continued cooperation.

Sincerely,

David McKean
Investigative Counsel

PATTON, BOGGS & BLOW
2550 M STREET, N.W.
WASHINGTON, D.C. 20037
(202) 457-6000

TRT TELEX: 197780
TELECOPIER: 457-6315

WRITER'S DIRECT DIAL
(202) 457-5270

July 28, 1992

BY HAND

David McKean, Esq.
Investigative Counsel
Office of Senator John F. Kerry
421 Russell Senate Office Building
Washington, D.C. 20510

Dear Mr. McKean:

This responds to your July 24 letter to Sandy Martin regarding the lists entitled "Key Persons and Entities: BCCI."

Enclosed is a copy of notes taken by Mr. Martin of a meeting with Raymond Banoun on November 2, 1990. The reference by Mr. Banoun at that meeting is to our knowledge the sole source of the information about which you have asked.

In the course of locating these notes we have discovered that a small number of documents, including these notes, were through inadvertence not included in the 125,000 pages produced in May 1992 to Nussbaum & Wald or the supplemental 2,400 pages produced in June 1992. We will continue our practice of providing supplemental documents to Nussbaum & Wald if and when we become aware of them.

Sincerely,

Caffey Norman

W. Caffey Norman, III

Enclosure

11/2/80 Roy Rimmer

Lemsford Fireplace Centre employee

- ... Nov 78, entered con - ... (contd)
  ... - Fr Custom Dept of Bank -
  ... him to respond to letter, Nov to
  ... for £48½ m
  - ... w Asia Chartry
- ... to go to Pers to formulate response
  - Bank wants to fight it -
  - need response by end of month
  - one of objectives in case involves
  * Lemsford -
    - whether had resident exit
      in FRr when he
      & non resident/was in UK)

- Najri had consulted very longer (bank)
  who said he could "Go in
  ... w "Payment" or bribe
- Hilmi & RBeirut said would have
  ... to do so
  Fayri/Najri hinted him to
  "admin in Europe" & longer
  started negs the Bank in
  negotiating w for govt

- Fenton MI-5 to Farrell/Hewitt
  → VAT 1st for Fayri
- another guy who was finance employee
  that Wild Hammond told
  bank to him - back & forth to

To London - Culver/RR tel
Bank you will kill selves
[illegible] hand of Smith
employees

~~Attached~~
- RB received from to inquiry re Allen
- Allen Sutton will ask RSL
why isn't Bank cooperating?
- RB has heard from him
in 3 wks
- Word from DOJ that [illegible] not due for
Allen body into procedure
- since Bank now controlled by
VOE, why can't they get
Bank to act?
I send RSL protest

Prepared by the staff of Senator Kerry 7/27/92

Handwritten notes of Middleton Martin

11/2/90 Ray Banoun

La Marche
Firm hand required
Senate employee

-since November 1988, customs cur [currency]-exchange control violation - for customs (?) bank -
We have to respond to latest offer
to settle for LL8 1/2 M
-working with Aziz Chaudry

- have to go to Paris to formulate response
- Bank wants to fight it
- need response by end of the month
- One of allegations in UK involves
* La Marche
- whether had resident visa
in France when he
a non-resident lives [living]
in UK

- Naqvi had consulted (?) lawyer (Lamarche)
- who said he could "fix"
problem with "payment" or bribe
- Holland [and Knight] and Ray Banoun said would have
nothing to do with
Rizvi/Naqvi hired him to
"advise on Europe "92" and lawyer
started reporting [to] the Bank in
negotiations with our government

Farnham MI 5 to Farrell and Manatt
- UAE ltr [letter] from Gagne
- another guy who was Senate employee
that Mohammed Hammoud told
bank to hire-- back and forth
to London - Culver/RB [Ray Banoun] told
Bank you will kill selves
paying travel of Senate
employees

-- RB [Ray Banoun] recruited firm to inquiry re Sakhia
-- Allan Sullivan will ask RSL [Ron S. Liebman]
Why isn't bank cooperating
RB [Ray Banoun] has[n't] heard from him
in three weeks
- heard from DOJ that
Allan looking into procedure to get documents from overseas
- since bank now controlled by
- UAE, why can't they get
bank to act?
I said RSL [Ron S. Liebman] protested

We stand adjourned.

[Whereupon, at 3:33 p.m., the hearing adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

[The following documents were entered into the record at the hearing of the Subcommittee on Terrorism, Narcotics and International Operations on May 14, 1992. Only a portion of the documents appeared in Part 5 of the printed record of Senate hearings on the The BCCI Affair. The documents appear in full below.]

SKADDEN, ARPS, SLATE, MEAGHER & FLOM,
WASHINGTON, DC,
May 20, 1992.

Hon. JOHN F. KERRY,
Chairman, Subcommittee on Terrorism, Narcotics and International Operations,
421 Russell Senate Office Building,
Washington, DC 20510.

DEAR SENATOR KERRY: Enclosed please find the documents previously identified on a privileged index submitted to the Senate Subcommittee on Terrorism, Narcotics and International Operations on October 23, 1991. These materials are being provided pursuant to the terms outlined in your letter to me dated May 18, 1992.

With best wishes,

Very truly yours,

CARL S. RAUH.

Enclosures:

INDEX OF DOCUMENTS WITHHELD ON THE BASIS OF THE ATTORNEY-CLIENT PRIVILEGE AND/OR WORK PRODUCT DOCTRINE

1.	Date:	None indicated
	Author:	None indicated
	Addressee:	None indicated
	Document Type:	Confidential Memorandum of Client/Witness Interview
	Recipient(s)/Distribution:	None indicated
2.	Date:	August 29, 1988
	Author:	Robert C. Sanders, Esq.
	Addressee:	The File
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated
3.	Date:	September 30, 1988
	Author:	John F. Kovin, Esq.
	Addressee:	The File
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated
4.	Date:	September 27, 1988
	Author:	John F. Kovin, Esq.
	Addressee:	The File
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	Robert A. Altman, Esq., Robert C. Sanders, Esq.
5.	Date:	January 26, 1989
	Author:	Robert C. Sanders, Esq.
	Addressee:	Robert A. Altman, Esq.
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated

6.	Date:	September 22, 1988
	Author:	John F. Kovin, Esq.
	Addressee:	Robert A. Altman, Esq., Robert C. Sanders, Esq.
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated
7.	Date:	September 21, 1988
	Author:	John F. Kovin, Esq.
	Addressee:	Robert A. Altman, Esq., Robert C. Sanders, Esq.
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated
8.	Date:	September 20, 1988
	Author:	John F. Kovin, Esq.
	Addressee:	Robert A. Altman, Esq., Robert C. Sanders, Esq.
	Document Type:	Confidential Memorandum of Client/Witness Communication
	Recipient(s)/Distribution:	None indicated
9.	Date:	September 19, 1988
	Author:	John F. Kovin, Esq.
	Addressee:	The BCCI File
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated
10.	Date:	None indicated
	Author:	None indicated
	Addressee:	None indicated
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated
11.	Date:	None indicated
	Author:	None indicated
	Addressee:	None indicated
	Document Type:	Chronology
	Recipient(s)/Distribution:	None indicated

12.	Date:	None indicated
	Author:	None indicated
	Addressee:	None indicated
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated
13.	Date:	September 7, 1988
	Author:	John F. Kovin, Esq.
	Addressee:	Robert A. Altman, Esq.
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated
14.	Date:	August 29, 1988
	Author:	Robert C. Sanders, Esq.
	Addressee:	The File
	Document Type:	Confidential Memorandum of Client/Witness Interview
	Recipient(s)/Distribution:	None indicated
15.	Date:	August 11, 1988
	Author:	John F. Kovin, Esq.
	Addressee:	The File
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	Robert A. Altman, Esq.
16.	Date:	August 10, 1988
	Author:	Robert A. Altman, Esq.
	Addressee:	The File
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated
17.	Date:	None indicated
	Author:	None indicated
	Addressee:	None indicated
	Document Type:	Confidential Memorandum of Client/Witness Interview
	Recipient(s)/Distribution:	None indicated
18.	Date:	None indicated
	Author:	None indicated
	Addressee:	None indicated
	Document Type:	Chronology
	Recipient(s)/Distribution:	None indicated

19.	**Date:**	None indicated
	Author:	Robert A. Altman, Esq.
	Addressee:	The File
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated
20.	**Date:**	June 1, 1988
	Author:	Clark M. Clifford, Esq.
	Addressee:	Robert A. Altman, Esq.
	Document Type:	Confidential Attorney Memorandum
	Recipient(s)/Distribution:	None indicated

PRIVILEGED AND CONFIDENTIAL

INTERVIEW WITH MR. AMJAD AWAN AT
CLIFFORD & WARNKE ON FEBRUARY 23, 1988

Mr. Awan stated that he was the BCCI country manager in Panama for three years, between 1981 and 1984.

Mr. Awan came to the Washington representative office of BCCI in June of 1984 and was subsequently transferred to BCCI's Miami office.

After Mr. Awan left Panama in 1984, three men succeeded him as country manager. The first was Mr. Mamood, who held the position of country manager from late 1984 to late 1985. He was replaced by Mr. Lynch, who was posted to London shortly thereafter. Mr. Bilgrami is the current country manager.

The immediate problem arose as follows:

BCCI's New York office believes that BCCI may receive a subpoena, perhaps from Congress, to testify about BCCI's role vis-a-vis General Noriega. At the same time the Miami Herald wanted to interview Mr. Shafi, general manager for Latin America in Miami.

Mr. Shafi told Mr. Awan that twelve other banks had been named as possible conduits of drug money.

Mr. Awan stated that he has a personal relationship with General Noriega that developed when Mr. Awan was the BCCI country manager in Panama between 1981 and 1984.

In 1982 or 1983, General Noriega gave Mr. Awan $100,000 to $150,000 to open an account in London. This account was opened. BCCI issued VISA cards on that account to General Noriega, his wife, and three daughters. Mr. Awan believed that these were personal cards.

During this period, General Noriega asked Mr. Awan to conduct business on behalf of the Panamanian government. Mr. Awan solicited business. General Noriega asked Mr. Awan for remittances for equipment, letters of credit, and standby letters of credit, but Mr. Awan did not comply because of a lack of collateral.

Mr. Awan went to social functions at the Presidential residence of President Torrijos where he sometimes saw General Noriega. He also saw General Noriega at other social functions. Mr. Awan never visited General Noriega at his home, however.

General Noriega helped BCCI acquire a banking license after the initial application was denied. Mr. Alaudin Shaik, who is no longer with BCCI, helped acquire the license with General Noriega's assistance.

General Noriega was head of the defense forces. He contacted the relevant civil authorities, the Minister of Finance, to help secure the license. Mr. Awan does not know why the original license application was originally turned down.

Mr. Awan was the second country manager in Panama. He worked there for three years and then left.

It was not known that General Noriega was involved in drug trafficking. General Noriega was generally believed to be corrupt. Business activities in Panama must have the patronage of the National Guard or the Armed Forces. The Armed Forces presumably get a cut in return for patronage.

When Mr. Awan first arrived in Panama, in 1981 General Noriega was a colonel in charge of intelligence. He then rose to the fourth position of power in the military. He eventually maneuvered the other three out and became head of the defense forces. It was generally known that the defense forces were involved in business.

There are 140 foreign banks in Panama. Panama is a banking center. Many banks do not enter the local market. BCCI, however, did engage in the large import/export market, dealing in import letters of credit. Panama is a Free Zone --

a zone in which goods can enter duty free. A lot of consumer goods, electronics and so forth, are smuggled into the rest of Latin and South America. No documentation is required because of the Free Zone. Other bank business arises from the registering of vessels.

The advantage of booking in Panama is that there is no tax on the booking business. Local bank business is taxable.

A lot of flight capital enters Panama from South America. Panama has no restrictions on the import and export of currency. The largest amount of currency comes from Venezuela. Capital comes in from Columbia as well.

A good deal of forged currency comes from Columbia. This forged currency is personally carried by courier.

There are no banking laws in Panama regarding the depositing of cash. However, the Bankers' Association made a voluntary decision that such money should be transfered to the National Bank of Panama -- the Panamian equivalent of the Federal Reserve with some of the duties of a Central Bank -- before being sent to the United States.

BCCI used to lend the National Bank considerable sums of money. The National Bank would borrow from other banks as well, like Chase. BCCI refused to lend the National Bank money on several occasions.

Cocaine is produced in Peru and Bolivia and refined in Columbia. Funds are flown in from Peru and Columbia, but not from Bolivia. BCCI has 32 branches in Columbia. The size of the individual deposits from Columbia varies from $5,000 to $100,000,000. Sometimes the deposits are delivered in suit cases of cash ($200,000 to $300,000) or in checks or third party checks.

Money exchangers either convert the money right in the bank or has a draft which he draws in Panama.

Without a doubt some of this money is originally drug money, but it comes in a different form.

Foreign exchange dealers have a steady flow of deposits. Columbia pesos are converted to dollars in Columbia.

There was always an undercurrent that alot of the money in Panama may be drug money, but BCCI felt it was dealing with lawful activity in dealing with the foreign exchange dealers.

BCCI never converted pesos to dollars.

Since 1981, BCCI has enjoyed a steady increase in profits in Panama. The volume in 1981 was 2.5 million. The volume in 1987 was 13 million. But this is overall business, not drug money. In 1981 there were only two BCCI offices in Latin America. Now there are 65 offices. The referral business has been good. There are many individual accounts and portfolios with central banks.

As for the other banks without so many branches, they probably deal with drug money. Some banks are generally known to handle drug money.

Mr. Awan knows of no specific instances of drug money passing through BCCI. It is possible some was laundered drug money. Deposits are made by various Panamanian Corporations. These are shell corporations that have bearer shares. A reputable law firm would come to the bank and request that the bank open an account for a corporation. This can be risky for the bank however. For example, in 1982 $3.7 million in U.S. Treasury checks were forged, even though cleared by the Treasury. These checks were stolen by APO in San Francisco. BCCI had to absorb a loss of $1.7 million. There is no claim under Panamanian law against the law firm and BCCI could not locate the shell corporation.

BCCI did not as a practice ask customers "Is this money drug money?"

People don't keep their dollars in Columbia because of the inflation. They send it to Panama.

The major U.S. banks in Panama would also be using the money exchanges. Thus, BCCI is in the same position as other banks. There are 20 banks in Panama that do most of the business. Chase does $5 billion in business, Citibank $4 billion, Bank of America $13 and a half billion. Chemical Bank also does alot of business. BCCI does 1/2 billion. It is difficult to know how much of a bank's business could potentially be drug money, however, because much of the business is booking business and these figures include both booking business and local market business.

Nothing in the way BCCI conducted business would put BCCI in a special category.

General Noriega's business with BCCI was limited to the $200,000 to $300,000 he deposited for VISA cards, etc. But Mr. Awan became a personal friend of General Noriega. They became very close after Mr. Awan left Panama in 1984. General Noriega asked Mr. Awan to make hotel reservations, and to book limousine and airline tickets. Mr. Awan would often

use his own credit cards to perform these services because the BCCI office in Washington in only a representative office. General Noriega would then reimburse Mr. Awan either by depositing money at BCCI's branch in Panama, at its branch in London, or made reimbursement through Panamanian Ambassador.

Mr. Awan meet General Noriega in New York on one occasion and asked Mr. Awan to give him $100,000 in cash. There is a currency report form for this transaction.

Mr. Awan stated that apparently two federal grand juries in Miami are investigating allegations against General Noriega and that there have been Congressional hearings. The witnesses at the Congressional hearings included two Americans convicted of drug smuggling, one Panamanian pilot also convicted, and Jose' Blandon, Consulate General for Panama in New York.

Mr. Awan stated that he did not believe that General Noriega was involved in the drug business. He thinks that the opposition party trumped up the charges.

Mr. Awan stated that the other employees at BCCI's Panama branch would stand up under questioning. There are a total of 150 employees there, mostly Panamanian. They have a high degree of loyalty to the Bank.

The FBI first called in November. Two weeks ago there were articles in the New York and Miami newspapers. Then the Miami Herald called to say it wanted to interview Mr. Shafi.

Mr. Awan asked Mr. Naqui if he should continue with his normal contacts and travelling. Mr. Naqui stated that Mr. Awan should continue as usual but should try to limit his contacts with General Noriega.

Bill Howard, a BCCI employee in New York, was served four subpoenas regarding transfers from Monte Carlo to New York. Although this is an unrelated matter, Mr. Awan believes that there may be subsequent questioning about General Noriega's relationship with BCCI.

Mr. Awan then produced a sampling of documents. These were hotel bills, airline tickets, etc., that he paid for General Noriega. These documents are not on file at BCCI.

Jose Blandon testified at the Congressional hearings but he did not metion BCCI. At least such reference was not reported in the press. [The hearing transcript reveals, however, that Mr. Blandon did mention BCCI].

Mr. Awan said that he had the most knowledge about the Bank's dealings with Mr. Noriega. Patrick Lynch would know no more or no less than Mr. Awan as to whether the money passing through the bank was clean or dirty money.

The Bank's policy was not to accept money from drug dealers or money launders.

Mr. Awan said that some witnesses had stated that they deposited large amounts at BCCI's Panamian branch. Mr. Awan says this was not true if the deposits were in individual accounts. Institutional accounts are more difficult to monitor.

June 1, 1988

MEMORANDUM TO: Robert A. Altman

On Wednesday, June 1, at 11:00 am I had a phone call from Mr. Naqvi in London. He had placed the call to you, but in your absence then spoke to me. I explained to Mr. Naqvi that the reason you were away was that you were in California following up on information regarding the possible purchase of a bank.

His call had to do with the BCCI bank in Panama. There had been brought to his attention an article in the New York Times of Wednesday, May 25, that referred to the Panamanian office of BCCI. The report involved missing documents from the bank's records and stated that the authorities have linked BCCI in Panama to money-laundering operations.

Mr. Naqvi says that there are two individuals who operate the bank in Panama and he has told them to come to Washington to see us. He believes that they will reach here on Friday. I informed him that I would be in Texas on Friday, but I thought you would be back in the office. He stated that the men would remain here as long as we required their presence. After we have talked to the men we are to report to Mr. Naqvi. The matter is of such importance to him that he may, after our conversation, decide to come to the United States.

C.M.C.

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT

August 10, 1988

Memorandum to the File

From: Robert A. Altman

Re: BCCI

On Tuesday, August 9, at 3:00 p.m., we met with Jack A. Blum, Special Counsel to the Senate Committee on Foreign Relations, and his colleague, Kathleen Smith. The purpose of the meeting was to discuss subpoenas duces tecum which were issued on July 27, 1988, to Bank of Credit and Commerce International Overseas, Ltd., Bank of Credit and Commerce, Ltd., Mr. S.M. Shafi, and Mr. Kalid A. Awan. There was some uncertainty on our part as to whether each of the entities and each of the individuals had in fact been served with process. Late yesterday afternoon Kathleen Smith confirmed by telephone that the United States Marshall's Office claims to have effected personal service.

The subpoenas are returnable on August 11, 1988. However, by agreement between Mr. Clifford and the Foreign Relations Committee, the time for production of documents has been extended until September 11.

During the course of our discussion which lasted about an hour and 20 minutes, Jack Blum described in detail the information collected during the investigation and public hearings by the Subcommittee on Terrorism, Narcotics and International Communications, chaired by Senator John F. Kerry. From its sources, the Subcommittee has been led to believe that BCCI, through its banking locations in Panama, Colombia and in Miami, Florida, has had a major involvement in the management of assets for General Manuel Antonio Noriega, the current head of the Panamanian government; Michael Harari, reputed to be a close aide of Noriega's, an arms dealer, and formerly an Israeli secret service agent; and various other individuals from Panama and Colombia with major involvements in international drug trafficking. The Subcommittee staff has also been led to believe that BCCI, through its banking locations in Colombia and Panama, has been significantly involved in the laundering of large amounts of cash obtained from the sale of illicit drugs in the United States. The staff has also been led to believe that Messrs. Awan and Shafi have not only been involved generally in these activities, but that in their extensive travels, they (or at least one of them) have sought to manage the funds of General Noriega in 1987 to make it difficult to trace and/or seize his assets.

Without going into other specifics for the purpose of this memorandum, the following constitutes a brief outline of salient points covered with the staff:

(1) The staff has amassed extensive information on BCCI. It is their understanding that General Noriega was instrumental in helping BCCI secure a banking charter in Panama. Information on BCCI has been provided by third parties, including government officials and other banks, as well as current and former employees of BCCI.

(2) We advised the Committee that we would soon be going to Miami to begin to assemble facts and related documents and, if need be thereafter, to Colombia and Panama. We expressed concern over the breadth of the subpoena and in the ensuing discussion were advised that the Committee was not interested in general deposit relationships the bank had with customers in those countries. The Committee was informed that BCCI manages substantial assets of drug dealers and this was their focus. The staff agreed to limit their subpoena to documents relating to account relationships which in the aggregate exceed $5 million. The time frame of interest is from 1981 to date. We advised the staff we would consider the scope of their requested production.

(3) Altman told them that it was the intention of BCCI's senior management to be cooperative and helpful. He

stated that management was unaware of any impropriety of the bank or its employees.

(4) In response to the staff's inquiry, Altman described BCCI's relationship with First American and explained Clifford's and Altman's long-standing representation of the Bank. Altman also expressed our complete confidence in BCCI's management. He stated that criticism that had been levelled at the Bank over the years had proved, upon careful investigation, to be groundless and without merit.

(5) We agreed to provide to them, if available, a copy of BCCI's public offering document of several years ago which describes the bank's corporate structure and shareholders.

(6) The Committee is to make available to us a package of documents which were generated at the time of the hearings earlier this year, and particularly a large chart showing the flow of money and drugs into and out of Central and South America. BCCI is said to form part of the "conspiracy" depicted in the chart.

(7) To the staff's knowledge, BCCI is not currently the focus of the ongoing grand jury investigation of this matter. There is clear cooperation between the Committee and the grand jury's efforts.

Mr. Clifford, in particular, and the firm generally have enjoyed an excellent relationship with the Committee over the years. In this instance, we find Mr. Blum initially to be reasonable in his approach to this investigation. Mr. Blum indicates that he understands the practical problems that may arise in seeking production of documents from Colombia and Panama and will work with us in this regard. He believes that most, if not all, of the relevant documents can be found in Miami. We agreed to have continuing discussions with him as the matter progresses.

Blandon exl :1 -

THE ORGANIZATION OF THE CRIMINAL EMPIRE

Manager:

Manuel Antonio Noriega

Private Group	Military Operations Group	Offices of the Government	Private Banks	Private Group of "Legal" Businesses
Enrique Pretelt	Nivaldo Madrinon	Customs (Carlos Garcia)	ICCB (Iyre)	Carlos Buque
Floyd Carlton	Luis Del Cid	Immigration	Swiss Bank	Ildefenso Riardi
Richard Bilonick	Luis Cordoba	Passports	Banco Cafetero	Mike Harari
George Krupnick	Hilario Trujillo	Civil Aviation	Inter Bank	AOKI (Japanese Group)
Carlos Wittgreen	Luis Quiel	National Bank	Others	Ramon Sleiro
George Novey III	Cleto Hernandez	Attorney General		
Cesar Rodriguez *(deceased)*	Alberto Purcell	Comptroller General		
	Jaimie Benitez			
	Lorenzo Purcell			
	Marcos Justines			

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT

August 11, 1988

Memorandum to the File

Re: BCCI

In accordance with the agreement reached on Tuesday, August 9, at our meeting with Jack A. Blum, Special Counsel to the Senate Subcomittee on Foreign Relations, and his colleague, Kathleen Smith, yesterday we picked up from the staff, materials which are listed below:

(1) Chart entitled, "THE ORGANIZATION OF THE CRIMINAL EMPIRE, Manager: Manuel Antonio Noriega". In the upper right-hand corner in blue ballpoint pen it is listed as a "Blandon exhibit". This is presumably the chart to which reference was made at our meeting and under the column, "Private Banks", the first bank listed is ICCB. After that entry the word "typo" is written in a parenthesis in blue ballpoint pen. A logical inference that one could draw is that this is a reference to the Bank of Credit and Commerce International - BCCI.

(2) April 6, 1988 transcript of the testimony of Ramon Milian Rodriguez before the United States Senate

Subcommittee on Terrorism, Narcotics and International Communications of the Committee on Foreign Relations ("Kerry Subcommittee").

(3) February 9, 1988 transcript of the testimony of Jose Blandon before the Kerry Subcommittee.

(4) February 10, 1988 transcript of the testimony of Jose Blandon before the Kerry Subcommittee.

(5) February 10, 1988 (afternoon session) transcript of the testimony of Floyd Carlton before the Kerry Subcommittee.

(6) February 11, 1988 transcript of the testimony of Ramon Milian Rodriguez before the Kerry Subcommittee.

(7) April 4, 1988 transcript of the testimony of Jose Blandon before the Kerry Subcommittee.

(8) April 9, 1988 transcript of the testimony of Jose Blandon before the Kerry Subcommittee.

This testimony is being reviewed for references to BCCI as they may relate to the general subject matter of the investigation and responses to subpoenas directed to the Bank and two of its officials.

J.F.K.

cc: Robert Altman (copy of Blandon exhibit attached)

0407K

September 7, 1988

Memorandum to Robert Altman

Attached is a copy of my memorandum of yesterday's discussion with Jack Blum. Because both you and I were on the subsequent telephone conversation with him this afternoon, without any narrative detail, listed below are some of the points we covered:

(1) You are to meet with Blum on Friday, September 9 at 2:30 p.m. in his office -- 446 Dirksen SOB.

(2) You and I are to meet with Blum and produce documents on Wednesday, September 14 at 11:00 a.m.

(3) You learned that Amjad Awan had been served with a subpoena at his residence in Miami and when you raised this point with Blum, he apologized for not having notified us that the Committee intended taking this action, even though we had been earlier advised that Awan could appear on a voluntary basis.

(4) Blum made general assertions about the need for a meeting, "sooner rather than later", but principally indicated that he needed to know by September 30 whether additional hearings would be scheduled and, if so, whether they would be public hearings. Blum seems to believe that a review of documents to be produced by BCCI

and interviews of Shafi and Awan -- the latter of whom he regards as the most important person -- will be determinative of the need for additional hearings.

There may be additional points but I believe that these are the most important ones.

J.F.K.

Attachment

September 7, 1988

Memorandum for the BCCI File

On Tuesday afternoon, September 6 at approximately 4:20 p.m., Jack A. Blum, Special Counsel to the Committee on Foreign Relations (224-5382), attempted to reach Bob Altman by telephone for the purpose of establishing a meeting on Wednesday, September 7. Bob Altman was away from the office at the time and asked that I return the call, which I did at about 5:00 p.m.

When the call was received by the Committee staff -- it sounded like Kathleen Smith -- she reported that Mr. Blum was on the other line, but when I identified myself, she said, "Oh, he needs to talk with you right now" and then presumably interrupted Mr. Blum who, within moments, came on to the line.

Mr. Blum seemed much more animated than when we had spoken with him in person in August and under pressure to proceed promptly with the aspect of his investigation which involves BCCI. Early in the conversation, I explained to him the efforts we had undertaken to this point and that we should

be in a position soon to make a partial production of documents. I explained that a number of people in the firm have been involved during the past three weeks in a U.S. District Court case involving a temporary restraining order and that it had been on a seven-days-a-week basis from which there would finally be some temporary relief beginning at the end of this week. He said he assumed that it was on a totally unrelted matter and I confirmed to him that it was, without identifying the parties in the JOA matter.

Mr. Blum agreed to meet with us on Wednesday morning, September 14. At a later stage in the conversation, however, he asked when our document production was due and I told him that as best I could determine, it was technically required on Sunday, September 11, based upon the earlier agreement Mr. Clifford had reached with the Committee staff. I suggested that we could make a partial production at the time that we make a visit to his offices on September 14 and that there were several other items receipt of which we were waiting and we might need to supply them soon thereafter. Mr. Blum then referenced serious "calendering problems" that he was encountering and asked about the availability of the BCCI individuals for an interview. I told him that I thought Mr. Shafi was generally available in this country but that we were unsure about the availability of Mr. Awan. Because of the

general sense of both urgency and immediacy that Mr. Blum conveyed throughout the conversation, I agreed that if Bob Altman were available the following morning, we would telephone him again to further consider the points he had raised.



J.F.K.

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT

MEMORANDUM

August 29, 1988

TO: The File

FROM: Robert C. Sanders

RE: BCCI/Panama

NOTES OF MEETINGS WITH BCCI OFFICIALS IN MIAMI
ON AUGUST 16, 17, 1988

Messrs. Altman, Kovin, and Sanders met with various officers of BCCI in Miami on August 16, 17, 1988 to discuss how and in what manner BCCI should respond to four subpoenas issued to BCCI and its personel by the Subcommittee on Terrorism, Narcotics, and International Operations of the Senate Foreign Relations Committee.

The BCCI officials participating in these talks were Mr. Rizvi, head of operations in the Western Hemisphere, who is based in London; Mr. Shafi head of operations in Central of South America, who is based in Miami; Mr. Awan former country manager of BCCI's Panama office, now based in Miami; Mr. Bilgrami, present country manager of BCCI's Panama office; and Mr. Dean, present country manager of BCCI's Colombian office. We also met with two subordinate officials at BCCI's Miami

office: a second Mr. Rizvi and a Mr. Hassan. What follows is a report from notes taken by Mr. Sanders during the course of meetings with these BCCI officials.

August 16, 1988

In our initial meeting with BCCI officials in Miami, Mr. Altman began by explaining that we had come to Miami because of an investigation by the Senate Subcommittee on Terrorism, Narcotics, and International Operations of the Senate Foreign Relations Committee, into international drug trafficking and money laundering. Mr. Altman stated that the Senate Subcommittee had conducted various hearings, some private and some public. BCCI had been mentioned in these hearings with respect to money laundering in Panama and Colombia and counsel for the subcommittee had issued four subpoenas to BCCI and its personnel.

Two of the subpoenas are to BCCI and in its corporate capacity. One subpoena is to Mr. Shafi and one to Mr. Awan. Mr. Altman stated that we had come to speak with the BCCI officials who would be most knowledgable about this matter in order to permit BCCI to respond to the subpoenas. Mr. Altman stated that conversations between the BCCI officials and Clifford & Warnke would be privileged and confidential.

Jack Blum, the Counsel for the Foreign Relations Subcommittee, had described earlier to Mr. Altman and Mr.

Kovin BCCI's alleged involvement. First, Mr. Blum had received information that proceeds from the sale of drugs had been placed with BCCI with instructions that BCCI should manage these monies by investing them in securities or in the money market. BCCI, in other words, was believed to be involved in portfolio management for drug dealers. In particular, General Manuel Noriega is believed to have a close relationship with BCCI and it is believed that BCCI managed illegal drug assets accumulated by General Noriega. It is believed that General Noriega assisted BCCI in obtaining a license to conduct banking operations in Panama and that, in exchange, BCCI was to manage General Noriega's funds and make them difficult to locate.

Mr. Blum stated that there was also some reason to believe that BCCI is engaged generally in the business of money laundering. It is believed that BCCI accepts cash deposits which, once converted into bank ledgers, cannot be traced. The laundering works like this: deposits of cash are placed in BCCI's Panama bank. These cash deposits are then delivered to the Central Bank of Panama and subsequently transferred to accounts outside of the Panama where they can be drawn upon by the drug dealers.

It is Mr. Blum's understanding that people know generally who the drug dealers and money launderers are. Mr. Blum believes that both Mr. Awan and Mr. Shafi are likely to have intimate knowledge of this system of money laundering and

are likely to know that the people making cash deposits of money in Panama and transferring those funds to the United States are dealing with drug money. Mr. Blum believes that there must be documents in Miami that would support the theory that large amounts of cash had been deposited in Panama and transferred to Florida. This would explain why the subpoenas were issued to the Miami office of BCCI and to officials based there.

Following this general introduction by Mr. Altman, Mr. Rizvi, the head of BCCI's activities in the Western Hemisphere, described the policy of BCCI. He stated that it is the policy of the bank not to be involved in money laundering. Further, he stated that, contrary to Mr. Blum's belief, BCCI does not manage funds. It is only in the business of taking deposits and making loans.

Additionally, Mr. Rizvi said that BCCI banks deal primarily with local currency, not with U.S. dollars. The bank is not a dollar fund, notwithstanding the fact that the balance sheet is expressed in U.S. dollars. Some local banks generate U.S. dollars and other foreign currency. That liquidity is to deposited by BCCI's banks with the central banks in exchange for local currency.

Mr. Awan added that BCCI has operations in various countries, Colombia and Panama in particular, where the currency changing hands in the market is both white and black. Consequently, one cannot be absolutely certain that

some money passing through the bank is not black money. It is the policy of the bank, however, not to handle drug money. If the bank learns or suspects that drug money is involved, it is the policy of the bank to distance itself from those customers.

Mr. Rizvi then stated there are files in the Miami office of loans of more than one-half million dollars made to Panamanians and Colombians in those countries. Additionally, there are a large number of depository accounts in Miami in the names of Panamanians and Colombians or in the names of corporations incorporated in those countries. These are generally rather small depository accounts, however.

Mr. Rizvi then stated that BCCI has no professional relationship with General Noriega. Previously, however, BCCI did maintain depository accounts for General Noriega in London and issued credit cards.

Mr. Altman then requested that the group review the four subpoenas that had been issued. Two subpoenas are directed at corporate entities: one to BCCI Overseas Limited in Miami, one to BCCI International, Limited in Boca Raton, a branch of the above. Mr. Altman then proceeded to discuss the document requests contained in these corporate subpoenas.

Request No. 1 is for documents involving the management of assets for General Noriega. The request was for management of assets and not a request for depository accounts. Mr. Altman asked if Overseas (Limited) had any documents responsive to this request. The BCCI officials all

said no. All bank documents relating to Noriega would be abroad in S.A. offices. Only Mr. Awan would have any detailed knowledge of any such documents.

Request No 2 is for documents concerning the holding of assets as custodian for General Noriega. Again, the only documents which would be conceivably responsive to this request would be documents relating to General Noriega's depository accounts at BCCI's S.A. offices in Europe. Only Mr. Awan would know what documents existed.

Request No. 3 is for documents concerning corporations, partnerships, and other business entities under the direction and control of General Noriega. No such documents are believed to exist.

Document Requests Nos. 4, 5, and 6 concern the management of assets for Michael Harari, the holding of assets for Michael Harari and for corporations, partnerships, and other business entities under the direction and control of Michael Harari. The BCCI officials stated that Mr. Harari is thought to be an arms dealer, a former member of the Israeli Secret Service, and a friend of General Noriega. BCCI has no documents responsive to these requests regarding Mr. Harari.

Request No. 7 concerns documents relating to the management of assets for private clients in Colombia. Mr. Altman explained that Mr. Blum had advised that documents only need be produced for accounts of Panamanian clients in excess of five million dollars. The BCCI officials stated that there

would only be a small number of accounts in Florida in the names of Colombians or Colombian corporations that were in excess of five million dollars, perhaps only four or five. These assets are not managed by the bank, however. They are only depository accounts. The bank does not manage portfolios or trusts. The responsive doucments will be obtained.

Request No. 8 concerns all documents relating to the holding of assets as custodian for private clients in Colombia. With the exception of the aforementioned four or five depository accounts, no documents would be responsive.

Document Request No. 9 concerns all Panamanian clients for whom the Bank manages assets. Mr. Awan stated that there are perhaps only two accounts in excess of five million dollars. The records for both of these accounts are in Panama. One of the accounts is for an Egyptian perfume manufacturing company based in Panama. The second, is for an American oil drilling company incorporated in Panama. Production of the records of either of these accounts would violate Panamanian bank secrecy law.

Mr. Altman asked if any Colombians had accounts in Panama. The BCCI officials stated that any such accounts would be below one million dollars.

Document Request No. 10 concerns all documents relating to Colombian clients for whom the bank manages assets. The BCCI officials reiterated that BCCI does not manage assets. Further, Mr. Awan stated that he did not

believe that there were any accounts in Colombia in excess of five million dollars, but that he would have to check one or two accounts to be certain.

Document Request No. 11 requests all trusts documents respecting trusts which have Panamanian beneficiaries. The BCCI officials reiterated that BCCI does not manage trusts.

Mr. Altman then stated that the Foreign Relations Subcommittee wanted to learn how money laundering takes place. The Subcommittee wants to reach the assets of drug dealers.

Mr. Altman asked Mr. Bilgrami whether there were large cash deposits at the Panamanian office. Mr. Bilgrami stated that once or twice a month there might be cash deposits of two hundred thousand dollars. Mr. Altman asked how many accounts would receive cash deposits of that nature. Mr. Bilgrami stated that there were probably ten or fifteen such accounts, taking both Panamanian branches together. Mr. Altman asked if BCCI knew the people who make these cash deposits. Mr. Bilgrami stated that they were all believed to be legitimate business people. Mr. Bilgrami stated that after cash is deposited in the Panamanian office, it is transferred to the Central Bank of Panama in exchange for local currency. BCCI's cash limit with the Central Bank is seven million dollars.

Mr. Bilgrami stated that it is common knowledge that some people are money brokers. For example, Brinks might come

in with large amounts of cash. BCCI would not accept such large cash deposits from unknown sources and would turn them down flat. Other banks, however, are known to accept money from these types of money brokers. These banks include Citibank, Boston, UBS, Swiss Bank, and Union Bank.

Mr. Altman asked if BCCI could document who we turned down. Mr. Bilgrami stated that there would be no such documentation. The bank would merely refuse to accept these large cash deposits.

With respect to Panamanian corporations, they are generally incorporated by lawyers and the principals are not known. It is the bank policy, however, to deal only with reputable law firms.

Mr. Bilgrami stated that there might have been a dozen accounts in which the client would bring in cash in a suitcase. These depositors of cash could have been money launderers. Money launderers are not drug dealers themselves, but their business is interrelated with drug dealing. The process works like this: dealers who buy drugs from farmers in Colombia must pay the farmers in local currency. They go to money changers in Panama and pay dollars in exchange for pesos. The money changers in Colombia thus accumulate large sums of dollars. These dollars are eventually deposited in Panama and then transferred to the United States.

Mr. Altman asked what was the dollar volume in cash deposits done in the past eight years. The BCCI officials

were not sure, but stated that it would probably be about ten million dollars a month. Citibank probably took more than fifty million dollars per month and there are four or five Colombian banks that may take thirty to fifty million dollars per month.

Mr. Altman asked if there were any documents that would reflect these cash transactions. The officials stated that there would be deposit slips in Panama that would identify the depositor and there would be a record of how many dollars were transfered each day to the Central Bank of Panama. Only the records in Panama would distinguish which deposits were in cash and which were in check.

Mr. Altman, Mr. Kovin, and Mr. Sanders then met privately with Mr. Awan. Mr. Altman inquired as to Mr. Awan's relationship General Noriega. Mr. Awan stated that BCCI had made an application for a branch office in Panama which had been turned down by the Bankers' Association, the chairman of which was from Chase Bank. Basically, the Bankers' Association black-balled the application of BCCI. This occurred before Mr. Awan joined BCCI.

When General Noriega was visiting London, BCCI officials, including Mr. Awan, took General Noriega and the Panamanian Ambassador in Paris out to dinner. Later, some BCCI officials from London went to Panama to meet with General Torrijos. BCCI's application to open a branch office in Panama was subsequently approved and that office was opened in the latter part of 1980.

Mr. Awan was posted at the Panamanian office in October of 1981. Mr. Awan then met General Noriega again. Part of Mr. Awan's duties with the bank was to cultivate important clients. Consequently, he developed a social relationship with many high ranking people in the government, including General Noriega.

In 1982, General Noriega asked Mr. Awan for an account to be opened for Visa card purposes. An account was opened in London. Originally the account held between one hundred thousand and one hundred and fifty thousand American dollars. General Noriega had no account in Panama at that time or at any time.

Whenever General Noriega wanted to deposit money in his London account, he would give money to Mr. Awan who would wire the funds to London. Mr. Awan would wire the funds anonymously, without giving the depositor's name or even an account number. Mr. Awan would simply call London and inform London that a deposit for a certain amount of money would be wired and that the money should be put in General Noriega's account.

General Noriega's wife also opened an account with her three daughters with S.A. in London. General Noriega and his wife then begin to make cash deposits of one hundred thousand, one hundred and fifty thousand, or five hundred thousand dollars in cash, sometimes in Central Bank checks. Mrs. Noriega also opened an account in Paris.

Mr. Awan got to know General Noriega personally. General Noriega came into power in 1983 and Mr. Awan got to know him even better after that.

Mr. Awan was then transferred to BCCI's office in Washington. General Noriega would sometimes call him on the telephone and tell him to make cash payments to someone or to make hotel or plane arrangements. Mr. Awan would pay the total hotel and airline bills and General Noriega would subsequently wire money to Mr. Awan to reimburse him.

The maximum deposit relationship with General Noriega and his family was approximately twenty-two million dollars. The maximum deposit at one time was approximately one million dollars in cash. The cash would be brought to Mr. Awan with instructions to transfer it to London. After Mr. Awan had been transferred to the United States, General Noriega would travel to New York and give Mr. Awan cash to reimburse Mr. Awan for various advances that Mr. Awan made on behalf of General Noriega.

On several occasions Mr. Awan traveled with General Noriega. On one occasion, Mr. Awan travelled with General Noriega from New York to Andrews Air Force Base. Mr. Awan would also see General Noriega in London and in Paris.

General Noriega's banking relationship with BCCI was strictly a depository relationship. BCCI never invested General Noriega's funds. Sometimes, however, General Noriega would withdraw funds from the London account and make his own investments. For example, he bought an apartment in London and in Paris.

The last cash deposit made by General Noriega into the London account was early last year.

After Mr. Awan was transferred to the U.S., he would travel to Panama every four months to see General Noriega. In addition, General Noriega would meet Mr. Awan in the United States. Mr. Awan would deliver travel tickets to General Noriega.

Mr. Altman asked Mr. Awan whether we knew the source of General Noriega's funds. Mr. Awan stated that it was common belief in Panama that General Noriega profited from bribes and graft. At that time, however, there was no reason to believe that the cash deposited in the London account had any relationship with drug dealing.

Mr. Altman then asked if General Noriega had any relationship with other banks in Panama. Mr. Awan said that General Noriega only dealt with BCCI. Mr. Altman asked if Mr. Awan believed that General Noriega had assets other than the twenty million dollars deposited in BCCI's London bank. Mr. Awan stated that he thought that General Noriega has several Swiss bank accounts, but that the amounts are small.

One way that General Noriega would acquire money was through payments from political appointees. Every Panamanian consulate has political appointees. In order to get a post in the diplomatic corps overseas, Panamanians must pay money to the person who appoints them to those posts. Under this system, General Noriega would receive considerable sums of money from political appointees.

Mr. Altman asked Mr. Awan about General Noriega's involvement in drug trafficking. Mr. Awan stated that General Noriega had been hard on drug use and that there were not many drugs in Panama. Mr. Awan did not believe that General Noriega was himself a drug dealer. Mr. Awan stated, however, that he did not think that General Noriega would be above taking bribes from those involved in the drug industry.

When General Noriega's current troubles began, General Noriega asked that his account at BCCI's London office be transferred to BCCI's headquarters in Luxemborg. This occurred in early 1988. General Noriega later requested that the money be sent to Panama. Mr. Awan told General Noriega that the money would be less safe in Panama. General Noriega continued to request that the money be transferred to Panama and ultimately BCCI did transfer General Noriega's money to the Banco National. This occurred within the last week or ten days.

Mr. Altman then explained to Mr. Awan the nature of the allegations that had been made about Mr. Awan. The Foreign Relations subcommittee believed that during 1987 or 1988, Mr. Awan travelled extensively to reorganize General Noriega's portfolio holdings to make it difficult for the authorities to locate or seize those funds. Mr. Awan said that this was untrue and that he never made any investments for General Noriega.

Mr. Altman asked if General Noriega ever went on any spending sprees. Mr. Awan said that General Noriega did not, but that his wife occasionally did.

Mr. Altman asked what documents exist that would track General Noriega's account in London. Mr. Awan said that there were time deposit receipts, but that these only had account numbers. The branch in London would send these time deposit receipts to Mr. Awan and Mr. Awan would take them to General Noriega. In London there would be account opening forms plus account statements month-by-month. Additionally, there would be statements of Visa accounts. Mr. Altman then asked if Mr. Awan felt that he was at any personal risk. Mr. Awan stated that he felt that he was at a personal risk with respect to General Noriega because General Noriega would be angry if Mr. Awan disclosed the existence of the $20 million dollar account in London.

Mr. Altman asked if others could testify about Mr. Awan's relationship with General Noriega. Mr. Awan stated that there would be any number of people who would have observed Mr. Awan with General Noriega on various occasions. No one outside of BCCI would know about the twenty million dollar account in London. However, the existence of such an account could be surmised. Moreover, records would show that BCCI paid various bills on behalf of General Noriega.

With respect to the London account, Mrs. Noriega held about five million dollars and General Noriega fifteen

million. Mrs. Noriega would make cash deposits. This cash was probably income paid to her by political appointees at consulate posts.

Mr. Altman then questioned Mr. Awan with respect to document requests directed to the two corporate entities regarding Mr. Awan's travel records, telephone records, and compensation. Mr. Awan said that there would be records, of his travel and of his telephone communications. His passports would indicate travel. Additionally, the Bank would have ticket vouchers. Mr. Awan said that he would also have a record of all of his salary slips. Mr. Altman commented that the investigators think that Mr. Awan is likely to have large performance bonuses.

Mr. Awan mentioned in confidence that he had received certain transfers of money from his father in Pakistan. These transfers were illegal transfers under Pakistani law. He had been accepting these transfers since 1984. The total of the transfers would be three hundred thousand to four hundred thousand dollars.

Mr. Awan stated that he had been filing U.S. tax returns since 1984.

Mr. Awan stated that the bank had not knowingly engaged in money laundering.

Mr. Awan stated that the bank had no relation with Mr. Harari.

With respect to money laundering, Mr. Awan stated that between 1981 and 1984, the bank probably received five million dollars in questionable cash deposits, and that after 1984 the bank received very little cash deposits. Mr. Awan stated that many deposits by money changers were legitimate, but that Colombians were not allowed to keep dollar deposits outside of Colombia. Most money changers are Colombian, some are Venezuelian.

Mr. Altman asked Mr. Awan if Mr. Shafi, the head of BCCI's Miami office, was aware of the Noriega account in London. Mr. Awan stated that Mr. Shafi was aware of this account but that he did not know the amount.

Mr. Awan stated that everyone knew who the big Colombian drug dealers were. These drug dealers would work through the Colombian banks. UBS and Citibank were involved in a major way with the Colombia drug dealers. BCCI did not work with these drug dealers.

Mr. Altman, Mr. Kovin, and Mr. Sanders then met with Mr. Shafi, the head of BCCI's Miami office. Mr. Shafi says that he was with BCCI from the very beginning. He left the United Bank in 1972 and joined BCCI on January 1, 1973. Even before officially joining BCCI in 1973, Mr. Shafi worked for BCCI. When he officially joined the bank in 1973, he joined as General Manager and Director of the National Bank of Oman. He stayed there for ten years until 1983, when he was posted to Miami. He is now responsible for all of Latin and Central America, including Panama and Colombia.

Mr. Shafi stated that he would sometimes travel to these countries. He said that all loans over one-half million dollars had to be approved by him and that loans over one million dollars had to be approved by the central credit committee in London. Loans above five million dollars had to be approved by the board. Mr. Shafi stated that all strategic planning for Central and South America occurred at the Miami office.

Mr. Altman inquired as to what records were kept in Miami. Mr. Shafi stated that all records with respect to credit and loans, that is, all records of loans of over one-half million dollars in Central or South America, would have records in Miami. There would be no records of depositors in those countries with respect to deposits made in Panama or Colombia. The Miami office would only have total figures of deposits. There are perhaps fifty thousand to sixty thousand total depository accounts in the region.

Mr. Altman asked Mr. Shafi if he had any relationship with General Noriega. Mr. Shafi said that he met Mr. Noriega once or twice in Panama when Mr. Shafi first came to the Miami office. Mr. Awan had arranged for those meetings and they were just courtesy calls. Mr. Shafi said that he had no other dealings with General Noriega. Mr. Shafi also said that he knew nothing about Mr. Harari.

Mr. Altman then questioned Mr. Shafi about any travel, telephone, or compensation documents that Mr. Shafi

had. Mr. Shafi said that the bank files would have all of these records.

Mr. Altman asked Mr. Shafi about any large sums of cash that may have been deposited in Panama. Mr. Shafi said that he had no personal knowledge of any large deposits of cash in Panama.

Mr. Altman asked Mr. Shafi why a subpoena had been issued in his name. Mr. Shafi stated that he did not know, but suspected that it was because he was the head of operations in the region. Moreover, all credit files for the region were kept in Miami.

Mr. Altman asked Mr. Shafi whether he had any substantial fringe benefits. Mr. Shafi said no. He was supplied with a company car and had medical coverage through insurance, but that was all. There would be complete records of all of his business expense accounts. Mr. Altman asked if Mr. Awan was provided with a company car. Mr. Shafi said that Mr. Awan had no car, only a salary.

Mr. Altman, Mr. Kovin, and Mr. Sanders then met with Mr. Bande Hassan. Mr. Hassan has been with BCCI for four years. He recalls that in October of 1987, Mr. Abedi spoke to BCCI officials at the Grand Bay Hotel in Miami. Mr. Abedi told the bank officials that they could not blacken the name of the bank by dealing with drug dealers or drug money and that the bank would take serious action against any bank official who did so. There were perhaps four hundred people

at this meeting. Mr. Altman wanted to know if there were minutes of that meeting. Mr. Hassan said that he thought there might be either minutes or an audio tape.

Mr. Altman asked whether there were any depository accounts in Florida of Colombia or Panamanian clients that exceeded five million dollars. Mr. Hassan said he thought that there would not be many and that he would compile a list.

We then met with Mr. Bilgrami, the present county manager for Panama. Mr. Bilgrami has been the country manager in Panama since 1985. BCCI has two offices in Panama, one in the Free Zone and one in Panama itself. Mr. Bilgrami stated that the bank in Panama performed two major functions. The first is to accept deposits. The second is trade finance, that is, short term lending. Mr. Bilgrami stated that he can lend only ten thousand dollars without security and only fifty thousand dollars with security.

With respect to deposits, Mr. Bilgrami stated that deposits in Panama come from different countries and come in the form of either cash or bank transfers. Mr. Bilgrami stated that there are many Panamanian registered companies. A company can register in Panama in twenty-four hours. In some companies, the owners are known, in others they are not. BCCI only deals with corporate clients when they are recommended by reputable attorneys. With respect to Colombian accounts, BCCI in Panama will only deal with those accounts if the holders of the accounts are recommended by BCCI's Colombian bank officers.

In Panama, it is not a crime to accept cash deposits, but BCCI has a limit of six million dollars. Mr. Altman asked Mr. Bilgrami how much cash would come into BCCI's Panamanian office each month. Mr. Bilgrami stated that in 1986 and in 1987, perhaps ten or fifteen million dollars in cash were deposited each year, over a million dollars per month. In any case, the bank records would contain this information. The deposit tickets would show this and the account statement would also indicate whether the deposits were in cash or by check.

Mr. Altman asked Mr. Bilgrami if any of the accounts in Panama exceeded five million dollars. Mr. Bilgrami said no. The maximum account in Panama was probably about two million dollars.

Mr. Bilgrami stated that BCCI's Panama bank closed all money changer accounts in 1986.

August 17, 1988

Mr. Altman, Mr. Kovin, and Mr. Sanders met first with Mr. Rizvi. Mr. Altman summarized the general state of affairs. He stated that, at the present time, there were three valid subpoenas and one invalid subpoena. The subpoena for Mr. Awan was invalid because it was not served and Mr. Awan's first name was incorrectly stated. [Counsel for the Foreign Relations Subcommittee later telephoned us and confirmed their interest in the documents of Mr. Awan, the BCCI officer].

Mr. Altman stated that we were informed that the only responsive documents held by Mr. Shafi were his telephone, travel, and compensation records. BCCI has similar documents with respect to Mr. Awan and Mr. Altman asked that Mr. Awan go to Washington and begin to collect these documents.

Mr. Altman observed that neither Mr. Shafi or Mr. Awan had been requested to testify.

Mr. Altman commented on the existence of the Noriega account in London, but stated that the subpoenas requested documents in the possession of Overseas. We were informed that there would be no documents in Panama with respect to the Noriega account in London. They were all transactions of S.A. The wire transfers of money from Panama to London had no names or account numbers.

Mr. Altman stated that the major interest was Mr. Awan's relationship with General Noriega and the Noriega depository account in London. We are advised that there could be unfortunate implications for the bank if we were to produce documents with respect to General Noriega's London account. Those records may be protected by English or other foreign law, an issue we will check. If those documents are produced, BCCI personnel in Panama could be at risk. Moreover, Mr. Awan feels that if he were to disclose the London bank account, he could well be in personal danger.

Mr. Altman mentioned that perhaps we should consider separate counsel for Mr. Awan. Mr. Altman also stated that we would produce Mr. Awan's documents even though he was not subpoenaed.

Mr. Altman stated that the bank had a potential political exposure as a result of the receipt of substantial dollar deposits from General Noriega. Additionally, there is the concern with respect to money laundering, although the bank does not believe any laundering occurred knowingly. We have not been requested to produce any documents with respect to money laundering. As to money laundering, we could explain it may have occurred. We could explain that we took some few millions dollars from unknown sources and that, in addition, we dealt with money changers. We could state, however, that it was the policy of the bank not to deal with drug money and, in any case, the amount of cash we received was insignificant compared to other banks.

Mr. Altman suggested that we seek to produce documents in the first week of September. By then, we would have to formulate a position with respect to Mr. Awan. Mr. Altman mentioned that in the coming week Mr. Kovin might make a trip to Panama and/or Colombia. This trip would reassure the subcommittee that we were diligent in our efforts though documents outside the country are not requested.

Mr. Rizvi then presented his perspective of the general situation. He stated that our balance sheets indicate that the bank does no trust work, thus there would be no documents responsive to the subpoena requests regarding management of assets.

Mr. Rizvi stated that balance sheets for Panama and Colombia are maintained at BCCI's Miami office. Additionally, there are two types of information in Miami with respect to Panamanian and Colombian clients. First, there are records of depository accounts of Panamanian and Colombian clients where those accounts are at offices in Florida. Second, there are records of all loans made to Panamanians and Colombians that exceed five hundred thousand dollars.

At the Miami office, there is also a cash book that indicates the cash flow in Panama for 1987 and 1988. Mr. Altman suggested that we consider producing that cash book. Such production may not violate Panamanian bank secrecy laws. The cash would reveal to the subcommittee that BCCI's Panamanian office did not receive nearly as much cash deposits as the subcommittee has been led to believe.

Mr. Rizvi went on to state that it has always been the policy of the bank to stay away from drug money.

Mr. Altman commented that Mr. Rizvi would be effective in discussions with the counsel to the subcommittee and we should consider having Mr. Rizvi speak with Mr. Blum.

Mr. Altman then suggested various alternative approaches to the subpoena requests. First, either Mr. Awan or Mr. Rizvi could go and speak with the subcommittee's counsel. Second, we could produce certain documents, but not with respect to the Noriega account, and Mr. Awan could refuse to testify. The Committee would be advised that if the bank were to disclose the Noriega account, either by documents or through Mr. Awan's testimony, General Noriega might revoke the bank's license, arrest BCCI personnel, and kill Mr. Awan.

We then met with Mr. Feroze Dean, the President of BCCI's subsidiary bank in Colombia. Mr. Dean explained that we bought a bank in Colombia in June of 1983, the year before he arrived. Initially, we acquired 49% of that bank and later gained complete control in 1988 when the majority owners went bankrupt. The majority owners got special permission from the government to sell their interest to us.

Mr. Altman asked Mr. Dean what kind of business BCCI engaged in Colombia. Mr. Dean responded that the main activity was international commerce and local lending. He said that BCCI has thirty branches in Colombia. The lending activity is related to import and export work. The exports are coffee, flour, and bananas. The imports are raw materials. BCCI has fifty-five thousand accounts in Colombia.

Only one or two of the balances exceed three million dollars. There are no accounts above five million dollars.

The two largest accounts are government accounts: the Colombian Port Authority and the Bogata treasury.

There are no dollar accounts in Colombian. All accounts are in pesos, the local currency.

Mr. Dean stated that BCCI is very suspicious of people who wish to transfer large sums of money out of Colombia. On one occasion someone wished to transfer one million dollars per week out of the country. BCCI refused to do this. BCCI's Colombian bank does transfer certain cash to Nassau to avoid the high Colombian reserve requirement on loans. Financing is expensive in Colombia because a reserve of 16.5% must be paid to the National Bank. Accordingly, BCCI makes dollar deposits in Nassau that are security for loans. For this purpose, clients wire funds to Nassua. These are not big dollar amounts, however.

Mr. Altman asked Mr. Dean how active was BCCI in encouraging money changers to deposit their dollars in Panama. Mr. Dean said that we did not encourage this activity at all.

We then met again with Mr. Awan. We began by showing him the chart entitled "The Organization of The Criminal Empire." This chart, which was an exhibit at the hearings held by the subcommittee, provides the names of individuals, companies, and banks that are believed to play a role in General Noriega's drug empire. BCCI, Swiss Bank, Banco Cafetero, and Inter-Bank are listed as banks involved in the drug empire.

The first column on this chart lists individuals believed to be part of the criminal empire. Mr. Awan was familiar with four of the seven names listed. Mr. Awan said that Enrique Preteit was in the jewelry business and made deposits at BCCI. Those deposits totaled one hundred thousand dollars. Additionally, we gave him a three hundred thousand dollar line of credit based upon the one hundred thousand dollar deposit.

Mr. Awan said that Richard Bilonick owned a cargo airline. One of his planes was caught in the U.S. with drugs on board. He approached Mr. Awan to open a bank account. Mr. Awan refused. He later did open an account by depositing a one million dollar check. He asked for a loan for three million dollars and we gave him a loan of seven hundred and fifty thousand dollars.

Mr. Awan said that Carlos Wittgreen was a close associate of General Noriega.

Finally, Mr. Awan stated that he was familiar with Cesar Rodriguez. Rodriguez had a large account with BCCI. He is now dead and stills owes the bank three million dollars. He was in the restaurant and night club business and also had a limousine business. Additionally, he had an aircraft spare parts business called Car Corporation. Mr. Awan believes that General Noriega had Mr. Rodriguez murdered.

Under the second column on the chart, Military Operations Group, Mr. Awan said that he was familiar with the

names of the ten generals listed in that column and was acquainted with some of them. None of them had accounts with BCCI, however, but the wife of Marcos Justines had a small account at BCCI's Panamanian office.

Mr. Awan stated that he was familiar with Carlos Duque, whose name appears on the last column of the chart, entitled Private Group of "Legal" Businesses.

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NOTES OF MEETING WITH JACK A. BLUM,
SPECIAL COUNSEL TO THE SENATE FOREIGN
RELATIONS COMMITTEE ON SEPTEMBER 9, 1988

On September 9, 1988 Mr. Robert Altman together with Mr. Robert Sanders met with Jack A. Blum, Special Counsel to the U.S. Senate Foreign Relations Committee to discuss the subpoenas issued by the Committee to BCCI. Ms. Kathleen Smith of the Committee Staff also attended the meeting. The meeting commenced at 2:30 and lasted until shortly after 4:00 p.m.

After brief introductory remarks, Mr. Blum stated that it was his understanding that on September 14, 1988 BCCI would make a partial production of documents requested in the subpoenas issued by the Committee. Mr. Altman responded that the production of documents on September 14, 1988 would consist - as per our prior discussion with the staff - of documents responsive to the subpoenas that were located in BCCI's Florida office which served as the Regional Headquarters for Latin American and the Carribean. Mr. Altman stated that he, Mr. John Kovin, and Mr. Sanders had traveled to Miami in August where they spent several days meeting with BCCI officials at the regional office. The BCCI officials were said to include Mr. Shafi, who was in charge of the region, and the country managers of both Panama and Colombia.

Mr. Altman stated that he briefed these officials on the current investigation and reviewed with them copies of the

subpoenas. All documents responsive to the subpoenas located in Miami were then collected.

Mr. Altman stated that officers' comments and the documents produced from the Miami office present a picture that is quite inconsistent with what the Committee had been told. First, we had earlier been informed that the Committee was concerned that known drug dealers would place large sums with BCCI, e.g. -- $20 million or more -- and that BCCI would invest and manage these assets on behalf of these persons. Mr. Altman told Mr. Blum that BCCI does not have a trust department and generally is not in the business of managing money for customers. Moreover, BCCI does not have large depository relationships in Colombia and Panama. The deposit accounts in those countries are relatively small. The same is true for deposit accounts of Panamanians or Colombians that are maintained at BCCI's agency offices in Florida. Finally, Mr. Altman stated that while the names of reputed drug dealers are known to our country managers, BCCI does not do business with any of them.

Mr. Altman then stated that BCCI officials had heard rumors about the handling of drug money by other banks. BCCI had been approached for several occassions and offered lucrative commissions to accept large cash deposits, but the bank always refused.

Mr. Altman stated that one indication of which banks may be active in handling large cash deposits is the amount

set by each bank as a voluntary restriction on the amount of cash transfers that may be made in a month to the Central Bank of Panama. The Bankers Association proposed these voluntary restrictions. Certain banks were setting large limits. BCCI has a relatively low cash limit.

Mr. Altman stated that although the subpoenas only requested documents regarding the management of assets and not deposit relationships, he had asked the BCCI officials for a computer printout of all Panamanians or Colombians who have depository accounts at any of BCCI's agency offices in Florida. This material was provided and will be produced. Confidentiality of this information must be maintained.

Mr. Altman stated that at the present time we do not have documents relating to specific deposit accounts of Colombians and Panamanians in Colombia or Panama. These documents are located in those countries, not in the regional office in Miami; further, production of those documents would violate bank secrecy laws. Figures dealing with total deposits for those countries were requested by Mr. Blum, and this, he was told, would be checked.

Regarding the specific demand for documents relating to the management of assets for General Noriega, Mr. Altman reiterated that BCCI does not manage assets. In response to further questions, Mr. Altman stated that BCCI previously maintained a deposit account for the Panamanian government which General Noriega, as the head of the government, could

control. BCCI may not disclose information about this account for two reasons. First, such disclosure would be unlawful under Panamanian bank secrecy law. Second, if this information were produced, the employees and business operations of BCCI would be vulnerable.

Mr. Blum wanted to know how much money was in this account and in what country the account was maintained. Mr. Altman stated that this information was not available. Mr. Altman advised that the only one way the bank might be able to disclose information was with the permission of the Panamanian government.

Mr. Blum inquired when the money in this account was withdrawn. Mr. Altman stated that the account was closed sometime this past summer.

Mr. Blum asked about Mr. Awan's present location. Mr. Altman stated that he was traveling in the United States for a few days, but may be transferred soon to BCCI's office in Paris.

Mr. Blum asked if personal expenses were paid out of the Panamanian government's account. Mr. Altman explained that when General Noriega and his entourage traveled in the United States, BCCI sometimes made the travel arrangements and hotel reservations and these bills would be paid from the account with the permission of the government. These trips appeared to be in the nature of state visits.

Mr. Blum stated he understood General Noriega had a credit card arrangement with BCCI. Mr. Altman stated a Visa card had been issued.

Mr. Altman again stated that BCCI could not provide information on General Noriega or the Panamanian government's account for the reasons stated. Mr. Blum stated he would give further consideration to the matter.

Mr. Blum then stated that the committee believed that substantial cash deposits have been placed at banks in Panama or Colombia, but booked off-shore at foreign offices. Mr. Blum stated that he expected the country managers of Panama and Colombia would certainly know about such off-shore deposits because they would have to be able to report to the depositor from time to time. He asked if we had documents that set forth all deposits from Panama and Colombia.

Mr. Blum presented a scenario to illustrate his point. A client might come into BCCI's Panamanian or Colombian office, make a deposit, and request that the deposit be booked overseas. The manager then would book the money in London or Luxembourg, for example. But the Panamanian or Colombian manager would have some record of those over-seas bookings because the client would be expected to approach the bank from time to time asking about the deposits. The official who took the deposits should have records because he is credited for bringing in the deposit and the country manager may also likely have records since they reflect on

bank's performance in that country. Mr. Blum then asked if our production of documents will include these types of records.

Mr. Altman stated that our production would only involve only off-shore bookings made in Florida. This was all that the subpoenas and the staff requested.

Mr. Blum stated that the Committee now wants more than deposits booked in Florida. The Committee is interested in all deposits accepted from the region, regardless of where they are actually booked. Mr. Blum stated that he believed there may be records in Miami of such off-shore bookings of deposits from the region. These records should be produced.

Mr. Altman stated that he understood the request and would consider it further in discussions with the client.

Mr. Blum explained that previously when cash deposits were made in Panama, the money was sent to the Central Bank and then fowarded to the Federal Reserve in the United States. The Federal Reserve started to receive large amounts of cash that "never should have been in Central America in the first place." The amount of cash being sent to the Federal Reserve has lessened. The authorities believe that certain banks in Panama are flying the cash to Europe. In this way they reduce the cash transfers by the Central Bank of Panama.

Mr. Altman replied that the Committee would be given the documents described on September 14, 1988. It would take longer to locate and examine any documents responsive to the

Committee's request for all deposits accepted from the Carribean region which are booked elsewhere. If such documents existed, this request would be considered separately.

Mr. Altman then corrected a misunderstanding Mr. Blum had. Mr. Blum believed that depositors' money was placed in BCCI's treasury in London. Mr. Altman explained that the Treasury does not generally invest customers' money -- it is operated to invest the bank's liquid assets. The bank follows a conservative approach in managing its balance sheet and does not believe in being "loaned up." In response to a further question, Mr. Altman stated the bank also relies on fee income sources for revenue rather than be too dependent on interest income.

Mr. Blum returned to the subject of the subpoenas and asked who from BCCI participated in the search for documents that will be produced next week. Mr. Altman stated that three or four BCCI officials who worked for Mr. Shafi located the documents.

Mr. Blum proposed that there be a closed session with a court reporter after we make our partial production of documents on September 14. Mr. Blum suggested that we bring an individual who is familiar with the gathering of the documents so that the documents can be properly identified on the record and explained. Mr. Altman stated we would consider this request and we would call Mr. Blum next week.

Mr. Blum stated that it will probably be necessary for Mr. Blum to meet with Mr. Shafi and Mr. Awan. Mr. Altman stated that Mr. Shafi was available, but would not be able to provide much information. When asked if there were another senior bank official who could explain the bank's business in the region, Mr. Altman mentioned Mr. Rizvi, a BCCI official based in London who is responsible for BCCI banking operations in North, Central, and South America. If Mr. Blum were willing to meet with Mr. Rizvi in London, Mr. Awan could travel from Paris to London and be available at the same time. Mr. Awan, however, would not be able to testify about the Panamanian government's account relationships for reasons stated.

Mr. Blum then stated that the Committee might subsequently require Mr. Awan for public testimony.

Mr. Blum asked whether BCCI ever made any loans to General Noriega. Mr. Altman stated that if there were any loans, they were minor in nature. Again bank secrecy laws foreclosed disclosure.

The agreement was reached that we would make our production of documents on September 14 and consider whether on the 15th or 16th a closed meeting would be scheduled where a BCCI representative might identify the documents.

Mr. Blum then volunteered that the U.S. Justice Department last Spring had asked the Foreign Relations Committee not to issue any subpoenas to BCCI. Later this

restriction was rescinded. Mr. Blum does not know why the issuance of subpoenas was originally halted.

In closing, Mr. Blum stated that he had learned that the Government of Luxembourg and the Bank of England had been concerned about the adequacy of regulation over BCCI. Mr. Altman explained that Luxembourg authorities had questioned whether they should be the bank's primary regulator because BCCI's business had expanded in other parts of the world in recent years. The Bank of England at times had indicated they wished to have greater regulatory control, a not unexpected reaction from a regulator. These problems, however, had all been worked out. BCCI is being regulated by a small, international committee of bank regulators and all countries are fully satisfied with the arrangement. The U.S. operations of BCCI are regulated by the Federal Reserve which has complete confidence in the bank.

Further, various criticisms of BCCI to which Mr. Blum made reference, including the bank's reputation with a few large U.S. banks, were totally unfounded, Mr. Altman stated. Mr. Altman advised that he and Mr. Clifford had looked into this matter over the past 10 years and found such attacks to be without merit.

Mr. Blum concluded the meeting by remarking that the investigation was being expedited and may have to be concluded within a month. Mr. Altman then stated in closing that he wanted to convey to Mr. Blum a serious concern. Mr. Altman

noted that the banking business is built on trust and confidence. Accordingly, Mr. Clifford and he were concerned that BCCI's reputation would be unfairly damaged as a result of publicity about the investigation, even though all allegations would be disproved. In this regard we were concerned about any rumors or leaks that could flow from the investigation and might, incorrectly and inequitably, tarnish BCCI's reputation. Mr. Blum stated he understood our concern and would remain sensitive to the issues.

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NOTES OF MEETING WITH JACK A. BLUM, SPECIAL COUNSEL TO THE SENATE FOREIGN RELATIONS COMMITTEE ON SEPTEMBER 14, 1988

Messrs. Altman, Kovin and Sanders met with Jack A. Blum, Special Counsel to the U.S. Senate Foreign Relations Committee, to allow Mr. Blum to review certain documents responsive to subpoenas issued by the Committee to BCCI, Mr. S. M. Shafi, and Mr. Amjad Awan. Ms. Kathleen Smith of the Committee Staff also attended the meeting. The meeting convened at 11:30 a.m. and lasted until shortly before 1:00 p.m. It had been scheduled for 11:00 a.m., but because of Committee business, began a half-hour later.

Mr. Altman presented Mr. Blum with a cover letter advising Mr. Blum that (1) certain of the documents being made available for his review were confidential bank records and must be protected from public disclosure by adequate safeguards to be mutually agreed upon; (2) that in making the production of these documents neither BCCI nor Mr. Shafi and Mr. Awan waived any rights or privileges, and (3) that if Mr. Blum wanted any of the documents reproduced for his files, the reproduction and delivery of the documents would be in a manner to be mutually agreed upon.

Mr. Blum then stated that it would be the Committee, not he, that would make the decision as to whether any or all of the documents for which confidential treatment could be

accorded it. Mr. Blum added, however, that he thought that the Committee would be sensitive to BCCI's request for confidentiality.

Mr. Altman and Mr. Kovin then presented Mr. Blum with the documents that they had brought, listed on the attached "Index of BCCI Documents." The documents were divided into seven volumes, each in its own file folder.

Volume I: Annual Reports and Financial Statement. Mr. Blum briefly examined and then retained the BCCI Annual Report for 1987 and several Annual Reports for Colombia, all public documents. He requested that we reproduce for him the Statement of Affairs of BCCI Panama (6/30/88). Mr. Blum requested that we also provide him with similar reports of these nonpublic documents for earlier years of the BCCI business in Panama.

Volume II: Records of Depositors and Borrowers. Mr. Blum reviewed the records of depositors and borrowers at BCCI's Agency Offices in Miami, Boca Raton, and Tampa. For purposes of comparison, Mr. Blum requested a print-out of the same information for the Miami agency for the period ending June 30, 1987; with respect to Boca Raton and Tampa, he requested a print-out of the same information for the period ending June 30, 1986.

Mr. Blum also was not clear whether these print-outs were of only Panamanian and Colombian depositors and borrowers, or of all depositors and borrowers. The question

Orose because some clients, not listed on our separate list of Panamanian or Colombian clients with deposits in excess of $5 million, appeared to have deposits of more than $5 million in the aggregate. Petro Brass, Managers A-D4 (Account 272001-May 31), and CDC Texo S were three accounts that appear to exceed $5 million either in credits or debits. Mr. Blum sought clarification on this point and also requested some explanation for several abbreviations on the print-outs, including "TOD" and "SOD".

Mr. Blum requested that Volume II together with the additional print-outs requested be made available for inspection again at a date to be set.

Volume III: Internal BCCI Memoranda and Florida Licenses. Mr. Blum requested copies of (1) the Compliance with Law Circular: Carribean Regional Office and (2) the Minutes of Management Committee Meeting at the Carribean Regional Office in which the bank's policy not to deal with drug money was emphasized by the President of BCCI. Mr. Blum stated that the Committee would not require copies of BCCI's licenses to operate in Florida.

Volume IV: Shafi Documents. Mr. Blum requested copies of (1) Mr. Shafi's business expenses and (2) his travel diary. Mr. Blum does not require copies of Mr. Shafi's compensation records. As far as Mr. Shafi's telephone bills (office, residence, and car), Mr. Blum stated that he would like to review these more closely at our next meeting before

deciding whether he would require that they be photocopied and produced.

Volume V: Awan Documents. Mr. Blum requested copies of Mr. Awan's (1) business expenses and travel records and (2) telephone bills. Mr. Blum stated that he would not require Mr. Awan's compensation records.

After this review of the documents Mr. Blum and we discussed the following five points:

(1) Mr. Altman (and Mr. Clifford) will meet with Senator Kerry, the Chairman of the Committee, to discuss the Panamanian account and the confidentiality issues attendant thereto;

(2) A meeting should be scheduled with Mr. Rizvi in London, perhaps on September 23, 1988;

(3) Mr. Awan may meet with Senator Kerry to discuss the Panamanian account.

(4) BCCI has been asked to produce (a) earlier printouts of depositor and borrower relationships at the three Florida agencies and (b) documents regarding all deposits in excess of $5 million accepted in Panama or Columbia but booked overseas.

(5) Mr. Kovin will travel to Panama and Colombia to review and collect any available, responsive documents at the BCCI banks in those countries.

Mr. Blum asked if there were any documents in the United States relating to General Noriega's expenditures for travel and related expenses in the United States. Mr. Altman stated that he could not respond to this inquiry.

Mr. Blum asked if any BCCI documents referenced Cesar Roderquiez, Ramon Roderquiez or Mr. Pretelt. The conversation shifted and Mr. Altman never responded to Mr. Blum.

Mr. Blum appears less receptive to Mr. Altman's earlier suggestion that Mr. Blum meet with Mr. Awan in London at the same time that Mr. Blum is to meet with Mr. Rizvi. Mr. Blum seems to prefer that Mr. Awan come to Washington. If Mr. Blum insists, BCCI will, as a practical matter, have to agree.

September 19, 1988

Memorandum to the BCCI File

At about noon today I returned Kathleen Smith's telephone call and reported to her, as she was aware, that we had tried to reach her on Friday, September 16. I explained that on an emergency basis a filing was made in the Court of Appeals at 10:00 that day and that both because a number of us had worked most of the preceding night, and that Mr. Awan's new counsel telephoned that day, we had been unable to complete the first phase of our production of documents. In short, the following points were covered:

(1) We will produce documents as earlier promised with the exception of documents relating specifically to Mr. Awan because he has separately retained counsel. (The return on his subpoena in any event is due on September 22.)

(2) As soon as we are able to arrange it, we will meet with Mr. Awan's counsel to determine whether any objections will be interposed with respect to the specifications of Awan's subpoena.

(3) We have not yet received the computer print-outs from the Miami agency or comparable information from the Boca and Tampa agencies but will let the Subcommittee staff know when it has arrived.

(4) Senator Kerry may be available to meet with us on Wednesday, September 21, and we are to advise the Subcommittee staff as soon as possible concerning that date.

(5) Ms. Smith asked about the availability of Mr. Rizvi for a proposed meeting in London, and I said that I was not aware of the details of a conversation that I thought Mr. Altman may have had with Mr. Rizvi. Because the Subcommittee staff is unable in advance of this coming Friday, September 23, to clear their request for foreign travel, it is now suggested that a meeting with Mr. Rizvi be scheduled for early in the week beginning Monday, September 26, in London. We are to telephone either Jack Blum, Jonathan Lickman or Kathleen Smith regarding such a date (direct dial numbers 224-4447 or 224-5382). For purposes of submitting information for travel clearance, they need Mr. Rizvi's full name, title, address and the place at which a meeting would occur.

In general, the conversation went reasonable well but Kathleen Smith did not let on that she had any knowledge concerning Mr. Awan's retention of new counsel.



J.F.K.

September 20, 1988

Memorandum to Messsrs. Altman and Sanders

Re: BCCI Congressional Matter

I returned the call of Mr. Bande Hasan (305-374-8668) at about 4:45 today. He reported that the materials referenced in the transmittal letter accompanying the additional computer print-outs on the Miami/Boca Raton/Tampa agencies, have been prepared and are being forwarded by Federal Express this evening. (I have not seen the set of print-outs received on Monday, September 19.)

He is leaving tomorrow for London for one week and wondered whether the trip - which could be postponed if needed - would interfere with the response of BCCI to the Subcommittee subpoenas. I told him that no further mention had been made of the desirability of having a bank officer available to be interviewed with respect to the content of documents or the manner in which they had been gathered. We are pleased that such a request has not been renewed and, accordingly, his trip should not hinder progress in the matter and if we need him, we shall contact him through Mr. Dildar Rizvi in London.

Kathleen Smith telephoned at 4:58 and I have not returned her call.

J.F.K.

September 21, 1988

Memorandum to Messrs. Altman and Sanders

Re: BCCI Congressional Matter

After consulting with Mr. Altman, at 2:00 p.m. today I returned the several telephone calls Kathleen Smith of the Subcommittee staff has left over the past several days. The conversation was brief and friendly in tone. The points covered were these:

1. Messrs. Clifford and Altman could see Senator Kerry at 11:00 a.m. or 3:00 p.m. on Friday, September 23, if the Senator were available. Jack Blum is away today for Yom Kippur and she will let me know about the proposed meeting early tomorrow morning.

2. With respect to a meeting with Dildar Rizvi in London, I explained that Mr. Rizvi is on international travel until October 5 and because of the Court of Appeals brief in the Knight-Ridder case due on October 11, no meeting can be scheduled with Mr. Rizvi in London until Wednesday, October 12, at the earliest. Ms. Smith will consult with Blum tomorrow, but has asked whether Mr. Rizvi would be available at another

location before Saturday, October 8, when this session of Congress ends. I told her I would let her know, if possible, tomorrow.

3. Regarding the additional computer print-outs sought by the Subcommittee staff for the Miami/Boca Raton/Tampa Agencies of BCCI, Ms. Smith is aware that we now have them and that we are prepared to present and discuss the material at a mutually convenient time within the next several days.

Given the possibility of an early meeting between Mr. Awan and Senator Kerry and the request for a meeting by the staff with Mr. Rizvi before October 8, we should probably discuss our reactions and/or any other appropriate steps to be taken some time today or early tomorrow.

J.F.K.

PRIVILEGED AND CONFIDENTIAL September 22, 1988

Memorandum to Messrs. Altman and Sanders

Re: BCCI Congressional Matter

I spoke for a second time by telephone this morning with Kathleen Smith following a brief consultation with Bob Altman. The following are the points considered:

(1) I have agreed that we will produce for inspection to the Subcommittee staff the additional computer print-outs from the Miami/Boca/Tampa Agencies on Friday, September 23 at 3:00 p.m. at the offices of the staff.

(2) Because Senator John Kerry's only availability on Friday was at 1:00 p.m., the meeting with him has been rescheduled for 11:30 a.m., Monday, September 26. Obviously, if there is a major problem in this regard, I should notify Kathleen Smith soon.

(3) We revisited the subject of the Subcommittee staff visiting Mr. Dildar Rizvi in London on October 5. Because the Senate now adjourns sine die on October 15, they believe that a meeting with Rizvi as proposed by us on or about October 12 would not give them adequate time within which to reflect the results of such a meeting. I explained and reiterated the basis for Bob Altman's unavailability until that time because of the expedited briefing schedule in the JOA matter pending in the Court of Appeals. Blum had

suggested to Kathleen Smith that if Altman were unavailable at that time, Kovin might be able to do it instead. I told Kathleen Smith that my involvement with this client was of relatively short duration and a meeting with Mr. Rizvi could not take place unless Altman attended. We left it at that and Jack Blum may telephone Bob Altman later in the day to discuss it further.

Finally, a literal reading of John Grabow's telephone message is somewhat distressing. If it means that no objections of any nature will be interposed to the production of documents in response to Amjad Awan's subpoena -- including any concerns that Mr. Awan may have about his personal safety -- it may cause us to alter the stance that we have adopted with the Committee staff up to this point.

J.F.K.

PRIVILEGED AND CONFIDENTIAL September 27, 1988

MEMORANDUM TO THE FILE

Re: BCCI Congressional Matter

John Grabow of Ginsburg, Feldman and Bress telephoned this morning to ask about what documents we had provided to the Subcommittee staff. I told him that we had visited with the staff and shared with them some computer print-outs, but absent a confidentiality agreement, had left no documents with them. In response to specific questions by Mr. Grabow, I responded that we had not provided any copies of Mr. Awan's expense or compensation records for retention by the Committee, nor had we provided any copies of "Noriega documents". With respect to the latter category, we do not intend at the present time supplying any such documents.

I told Grabow that we expected the staff to ask for the opportunity to look further at Mr. Awan's expense records before the anticipated interview of him. Mr. Grabow said that they expect visiting with the Subcommittee staff on Wednesday, September 28. Finally, we discussed the nature and content of a confidentiality agreement including a disclosure provision,

but we agreed that under most circumstances such agreements with congressional committees are not particularly useful. Mr. Grabow concluded the conversation by asking if I would let him know if there are any further developments. He did not volunteer to reciprocate.

J.F.K.

cc: Robert Altman
Robert Sanders

PRIVILEGED AND CONFIDENTIAL September 30, 1988

MEMORANDUM TO THE FILE

Re: BCCI Congressional Matter

John Grabow telephoned early this afternoon in response to a call I made to him yesterday evening about the time that Bob Altman and I were locating documents to be forwarded to the Subcommittee staff, at their request for use in a meeting with Amjad Awan.

Grabow reported that Mr. Awan had been interviewed by the Subcommittee staff this morning. In response to a direct question, he said that it was not a deposition -- as Kathleen Smith had referred to it yesterday -- but instead an interview. Grabow is "guardedly optimistic" that Awan will not be called as a public witness. He said that Awan had responded strongly that BCCI had not engaged in money laundering nor was the bank in any way associated with drug trafficking, and Awan reiterated his belief that he would be in personal jeopardy were he to give testimony regarding the Bank's customer relationship with General Noriega.

Awan turned over the so-called Noriega documents and Blum also questioned him regarding the travel records that we

had supplied to the Subcommittee staff early today. The documents supplied by Awan are to be accorded the same degree of confidentiality normally accorded documents supplied to a Committee in closed session. If we get greater protection for documents yet to be turned over, those supplied by Awan will be treated accordingly. Awan noted to Grabow but not to Blum that certain of his travel records -- supplied to this firm -- from the period when he was stationed in Miami had not been produced. I told Grabow that I was somewhat unclear on this point; however, that it might be the Miami records related to Bank of Credit and Commerce, S.A. Those which were subpoenaed dealt with BCCI Overseas Ltd. I told Grabow that we would check on this in the event it later became the subject of additional questions.

The talk with Grabow was brief and somewhat less strained than usual. Once again, he stated that he was unable to predict what the next step would be, but grudgingly agreed that he would let us know if anything new develops. There is nothing further scheduled with the Subcommittee as far as Awan is concerned. On a final note, Awan was reportedly struck by how much Blum seems to know about the whole situation.

J.F.K.

MEMORANDUM

January 26, 1989

TO: Robert A. Altman

FROM: Robert C. Sanders

RE: Reports of Meetings in BCCI Matter

Attached are the reports you requested of various meetings regarding to the BCCI matter.

PRIVILEGED & CONFIDENTIAL
ATTORNEY WORK PRODUCT

CHRONOLOGY

*	Feb. 23, 1988	CMC, RAA, RCS Met w/ Mr. Awan
	July 27, 1988	Subpoenas served
	Aug. 9, 1988	RAA, JKF Met w/ Mr. Blum
	Aug. 11, 1988	Materials picked up from subcommittee
*	Aug. 16, 17, 1988	RAA, JFK, RCS - Miami
	Sept. 6, 1988	JFK tel w/ Mr. Blum
	Sept 7, 1988	RAA, JFK tel. w/ Mr. Blum
*	Sept 9, 1988	RAA, RCS Met w/ Mr Blum
*	Sept 14, 1988	RAA, JFK, RCS Met w/ Mr. Blum and produced certain documents
	Sept 19, 1988	letter to Blum re production
	Sept 21, 1988	JFK tel w/ Kathleen Smith
	Sept 22, 1988	JFK tel w/ Kathleen Smith
	Sept 27, 1988	JFK tel w/ John Gr bow

ATTORNEY WORK PRODUCT
PRIVILEGED AND CONFIDENTIAL

Memorandum to the File

RE: Swaleh Naqvi

While I was in London on July 6, 1990, I took the occasion to have a meeting with Mr. Swaleh Naqvi in the BCCI offices at 100 Leadenhall Street, London. During the course of the meeting, we were joined by Mr. Kim Sagne, of Janis, Schuelke & Wechsler.

When the meeting started, I said that I had heard reports of the many changes taking place in BCCI, including the firing of hundreds of employees. Mr. Naqvi confirmed that there was much turmoil in the Company. I asked Mr. Naqvi how these changes would affect him personally. He replied that his position would certainly change. He said he would be moving to Abu Dhabi and noted this created certain personal problems for his family. He said that he had always focused on the affairs of BCCI to the detriment of his personal situation. He noted that he did not even own the house he was using as a residence in London; it was provided by BCCI, and would have to be vacated when he moved. This will create difficulty for his children going to school in London who would not be moving to Abu Dhabi.

Mr. Naqvi said that his responsibilities in the future were unclear. The shareholders would determine who would be the CEO and the Directors shortly. He said it was possible a new CEO would be elected who was not previously associated with BCCI.

I said that I had wanted to inform him personally why Clifford & Warnke could not provide legal advice to BCCI in connection with the investigation being conducted by the District Attorney in New York State. As he knew, our firm did not do criminal work, and the primary representation of BCCI would be by other lawyers in any event. However, we were general counsel to First American and an issue had arisen about BCCI's relationship with First American. While we did not now know of any actual conflict of interest between BCCI and First American, we were concerned about the appearance of a conflict as well as any potential conflict. I said BCCI was well represented by Janis, Schuelke & Wechsler, and Ray Banoun of Arent, Fox, as well as New York counsel that had been engaged. I knew that Kim Sagne had already indicated Clifford

& Warnke's views to him, but I wanted to explain it personally. I said that I had briefly seen Mr. Safar Iqbal earlier that day at the Bank, and had mentioned this to him. (As an aside, Mr. Iqbal had expressed BCCI's complete confidence in Mr. Clifford and me, and said he greatly appreciated our work for BCCI over the years. He said he did not know much about the First American issue in New York as his focus was solely on BCCI's operations. Mr. Iqbal mentioned that BCCI had loans to some of First American shareholders, but that alone constituted his understanding of BCCI's relationship with First American. He accepted, however, my comments regarding any appearance of conflict.)

Mr. Naqvi also accepted the views I presented. However, he seemed frustrated and stated that these allegations about the BCCI/First American relationship were "pure rubbish." Mr. Naqvi said that BCCI had "no interest whatsoever" in First American, except for a financial interest in some loans made to some of the First American shareholders (through general lines of credit). CCAM stock had, at some point, apparently been given as security. Mr. Naqvi said that some years ago BCCI had briefly considered a merger with First American, among its various corporate restructuring strategies, but that this had never been pursued, and was merely one of the historical planning models. Mr. Naqvi said he believed the false allegations about BCCI/First American were being spread by dissaffected former BCCI employees who felt bitter toward the Bank.

In addition, he said Price Waterhouse may have created an issue in this regard by filing an unsolicited report with the Bank of England concerning BCCI. (BCCI's Board had not been given a copy of the report prior to its submission.) Price Waterhouse apparently had feared earlier this year that BCCI might actually fail and, as a self-protection measure, had raised every conceivable issue with the Bank of England about BCCI. In that regard, Price Waterhouse had sent letters to some or all (?) First American shareholders that had loans from BCCI and asked (in what was described as a "threatening" way) about their loans and whether they expected a "loss" on their First American investment. Mr. Naqvi said two small shareholders - I believe rulers from the Emirates - were either frightened or offended by the Price Waterhouse letter and did not return the requested response. He explained that these shareholders had relied on BCCI's investment advice and representation that First American was a good company, and did not understand Price Waterhouse's inquiries about guaranteeing losses. Mr. Naqvi said these two shareholders refusal to respond or talk to Price Waterhouse caused the firm to "imply" there may be some basis to the theory they may be "nominees" of BCCI. Mr. Naqvi said this simply is not true.

Mr. Gagne said he personally had seen repeated instances where Price Waterhouse was engaged in this self-protection effort, and this report did not surprise him. After Abu Dhabi purchased BCCI in April, Price Waterhouse continued to raise every conceivable issue about BCCI, meritorious or not, so

that the new owners could not later charge the accountants with a lack of disclosure. I listened to these comments, and asked if I could have a copy of the report Price Waterhouse had written. Mr. Naqvi said he would check to see if one was available. (It is noted that Larry Wechsler had been told personally by the senior account officer at Price Waterhouse, Mr. Cowan, that the BCCI files on First American were "in order" and did not support any "nominee" theory.)

During the meeting I mentioned to Mr. Naqvi that I had had an appointment with Sheikh Kamal Adham and advised Naqvi of Adham's views regarding the need for quarterly briefings. Mr. Naqvi conceded that BCCI's function as our "communication link" with shareholders could be improved, and agreed that direct briefings of Adham and Nasrui would be more effective and preferable. This was particularly true given the impending move of BCCI to Abu Dhabi.

Mr. Naqvi noted that Nasrui, who was regarded as a very intelligent and balanced individual, may be concerned about being too prominent at First American out of fear of being unfairly dragged into investigations or media coverage.

Mr. Naqvi explained in this regard that a Mr. Mohammed Mabroush of the U.A.E. (who apparently handles the finances of the Abu Dhabi government) has expressed concern about unwarranted U.S. investigations and harassment by the media. Mr. Mabroush may urge Sheikh Said and Sheikh Khalifa of the U.A.E. to sell First American to avoid unwanted publicity. (Sheikh Kamal Adham had earlier speculated that some of the Arabs may react this way.) Mr. Mabroush apparently did not want Abu Dhabi to purchase BCCI, but Sheikh Khalifa had insisted. (Mabroush is a trusted adviser to Khalifa.) Mabroush's attitude may also affect Nasrui. I thanked Mr. Naqvi for this insight.

Two issues were raised about First American's shareholders. Mr. Kamoud had died and I wondered what would happen to his holdings. Mr. Naqvi said he would check with the estate and find out what they planned to do. In addition, Sheikh Khalid of Saudia Arabia was considering the sale of most or all of his (approximately 10%) First American holdings. (He may keep 6-7,000 shares.) Sheikh Said was said to be interested in buying a portion (3-4%), and an adult son of Sheikh Khalifa may be interested in purchasing the remaining approximately 5%. I said I would check the U.S. regulatory requirements concerning any such sales and asked to be provided information on Khalifa's son. Despite the foregoing, Sheikh Khalid has indicated he may still be interested in purchasing all of First American, but Mr. Naqvi does not know if this interest is serious. (He apparently wants control and doesn't want just to be a 10% owner.) Sheikh Khalid would probably want to pay a price less than twice book for the Company, and Mr. Naqvi believes the shareholders would not accept such a proposal. I advised Mr. Naqvi that Adham (as well as Nasrui) had expressed the view that they did not wish to consider a sale or merger of First American at this time

and that, accordingly, I was planning to conclude the current effort of Goldman, Sachs. Mr. Naqvi said he would let me know if he heard anything further about Sheikh Khalid's interest in buying First American.

I said that I understood from Mr. Iqbal that when Nasrui indicated he (on behalf of the Abu Dhabi Investment Authority) did not wish to sell First American, he was, undoubtedly also reflecting the current views of the various U.A.E. shareholders. Mr. Naqvi agreed with this assessment, but again said this could be affected in the future by the advice of Mr. Nabroush. (The U.A.E. shareholders, together with Adham, own some 50% of the stock.) In short, while Adham and the others don't presently want to sell or merge First American, some of them, including Sheikh Zaid (as a ruler and a very wealthy man) have a strong aversion to personal publicity (such as Regardie's) and U.S. harassment, and such factors could cause a shift in their present outlook not to sell.

In an unrelated, concluding note, Mr. Naqvi wanted to address the adequacy of BCCI's regulatory compliance efforts in the U.S. He asked Mr. Gagne to look into this matter and ensure that Price Waterhouse, Baldwin Tuttle, and other involved persons were coordinating their compliance efforts and making certain BCCI had no further exposure to claimed violations of U.S. legal requirements. Mr. Gagne said he would address this issue.

SENATE SUBPOENAS
CHRONOLOGY OF EVENTS

1. July 27, 1988 - Subpoenas duces tecum issued to the Florida offices of BCCI (Overseas) Limited, and to Mr. S.M. Shafi and Mr. Kalid A. Awan. Return date of August 11

   - Matter is referred to the law firm of Clifford & Warnke.

   - Subcommittee extends date for response for 30 days.

2. August 9, 1988 - Messrs. Robert Altman, John Kovin, and Robert Sanders of Clifford & Warnke meet with Committee staff. Staff advises of the progress in the hearings to date, including allegations of BCCI involvement in money laundering. Messrs. Awan and Shafi are believed to be involved in these activities and in managing assets for drug dealers as well as Noriega.

   Subpoena coverage is limited by the staff to documents for accounts that exceed $5 million. Staff also directed BCCI to focus on documents located in Miami; documents in Panama and Colombia were not being sought by the Committee at the time due to problems in production.

3. August 11, 1988 - Staff provides counsel with transcript excerpts and exhibits from the hearings as background information.

4. August 16-17, 1988 - Messrs. Altman, Kovin, and Sanders meet with BCCI officers in Miami (who have been designated as knowledgeable) to review the subpoenas. Messrs. Shafi, Amjad Awan, and Bande Hassan are to collect responsive documents (with the assistance of others they may designate) and forward the records to the lawyers in Washington for production.

   - Senate staff is informed by telephone that the subpoena served on Kalid Awan should be directed to Amjad Awan.

   - Amjad Awan is identified by BCCI as the only person who knows the Noriega documents. All Noriega documents are said by Awan to be located abroad. (The Noriega records are said to be

depository accounts and are not actually covered by the specifications of the subpoenas.)

- BCCI officers advise that the Bank has strict policies against money laundering or handling illicit drug monies. It is noted the Bank's founder, Mr. Abedi, had specifically emphasized this policy at a BCCI management meeting in Miami in October 1987.

- Concern is expressed that BCCI officers and property would be in serious danger from Noriega if he believes the Bank is disclosing information about him to the Subcommittee.

5. September 9, 1988 - BCCI lawyers meet with Senate staff and advise them of the comments of BCCI officers in Miami. The following points, among others, are discussed with the Senate staff:

- BCCI officers present a very different picture than that described by the Subcommittee. Counsel suggest the staff meet with BCCI senior management in London to obtain a full understanding of the Bank and its operations. The staff agrees, subject to authorization.

- Staff is advised that Awan is to be transferred by BCCI management to Paris. (BCCI management was reacting to Awan's repeated concerns about his personal safety and had therefore proposed to Awan the transfer.) When the Senate staff goes to London to meet senior management, Awan would be available to travel from Paris and could meet them in London. The staff concurs, and notes the Subcommittee may also want Awan for public testimony, a point to be decided later.

- Mr. Shafi is also available for interview, but counsel do not believe he can provide useful information to the Subcommittee.

- Staff is informed that Noriega has had accounts at BCCI, though documents are <u>not</u> covered by the subpoena as it was written. Awan has advised that the documents are located overseas. Staff is advised that BCCI does not want to discuss Noriega due to fear of reprisals and foreign law constraints.

- BCCI is gathering a computer listing of all Panamanians or Colombians who have depository

accounts in Florida. (These are not covered by the subpoena, but were being obtained to provide a more complete view of the agency operations.

- Documents relating to deposits of Colombians and Panamanians in those countries are located where the deposits are made, not in the Miami office of BCCI.

- Production of documents pusuant to the subpoena is to be made on September 14.

6. September 14, 1988 - BCCI counsel met with Senate staff to review documents produced pursuant to the subpoena, as well as computer records of depositors and borrowers at BCCI's Florida agencies, and all the personal records of Shafi and Awan which had been requested. Oral requests for additional computer printouts of agency operations are made by the staff (covering other time periods).

- Staff requests that Messrs. Clark Clifford and Robert Altman meet with Senator Kerry personally to discuss the legal and practical problems concerning production of the overseas Noriega account records.

- Staff is interested in scheduling the London trip for later in the month.

7. September 15, 1988 - By letter dated September 14, 1988, Awan tenders his resignation from BCCI, citing unexplained mistreatment.

8. September 19, 1988 - BCCI counsel forwards copies of documents designated by the Subcommittee. There is further discussion with the staff concerning scheduling the trip to London.

9. September 21, 1988 - Telephone discussion with the staff to plan the meetings in London for early October.

10. September 26, 1988 - Messrs. Clifford and Altman meet with Senator Kerry and Jack Blum, Special Counsel to the Committee. The Noriega document matter was discussed; the foreign law constraints and concern about the safety of BCCI personnel are presented. Senator Kerry advised he would take the matter under consideration.

[Note: The Washington Times later carries a front page story that contends Mr. Clifford had sought at this meeting to get Senator Kerry to "back off" his investigation. Senator Kerry flatly denies the allegation.]

11. September 30, 1988 - Mr. Awan accompanied by his personal attorney John Grabow (a lawyer recommended to Awan by the Senate staff), appears for a confidential deposition with special security arrangements.

- Staff confirms the threat to Awan's life from Noriega.
- Awan denies under oath any knowledge of money laundering at BCCI, or any other illegal activity at the Bank.

12. October 8, 1988 - Indictment against BCCI is returned in Tampa. Senate staff subsequently advises counsel the Subcommittee is dropping its investigation in light of the criminal case. No further production of documents is to be made, ~~nor will the London trip be pursued~~.